

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

1 LEGAL STATUS OF TELL S.A.

1.1 Information about the company

Name:	Tell
Legal form:	Spółka Akcyjna (<i>Polish joint-stock company</i>)
Seat:	Poznań, ul. Forteczna 19a
Country of incorporation:	Poland
Basic objects of business:	<ul style="list-style-type: none">- Telecommunications- Wholesale of telecommunications equipment on a fee or contract basis- Wholesale of office machinery and equipment- Retail sale of telecommunications equipment- Information technology- Advertising
Registration authority:	District Court Poznań- Nowe Miasto i Wilda, 8th Commercial Division of the National Court Register
Statistical number (REGON):	630822208

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

Management Board:

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

Changes in the Management Board of the Company:

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

Supervisory Board:

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

Changes in the Supervisory Board:

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

1.3 Chartered auditors

PKF Audyt Sp. z o.o.
ul. Elbląska 15/17
01-747 Warszawa

1.4 Quotations at the regulated market

1. General:

Stock Exchange:	The Warsaw Stock Exchange ul. Książęca 4 00-498 Warszawa
Symbol at the WSE:	TEL

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

1.5 Share capital

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

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

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

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

2 FINANCIAL POSITION OF THE COMPANY

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

Tell S.A. is the Authorised Polish-wide Representative of PTK Centertel. It operates on the mobile phone service retail market. As at 31/12/2010, the sale was conducted in a Orange brand network of 234 sale outlets (channel dedicated to individual clients) and 72 Business Client Consultants (channel dedicated to business clients). Based on the Agency Contract concluded with PTK Centertel, Tell S.A. offers its clients, on the exclusivity basis, services of PTK Centertel and selected services of TP S.A.

2.1.1 Postpaid activations

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

2.1.2 Wide-band Internet access services

Tell S.A. offers in its sale network the services of both PTK Centertel and TP S.A. (Neostrada). For the acquisition of clients and for clients extending their previous contracts with the operator, the Company receives a commission in accordance with the same rules as in case of postpaid activations.

2.1.3 Prepaid activations

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

2.1.4 Prepaid account refilling

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

2.1.5 Sale of mobile phone accessories

The sale of mobile phone accessories is a source of Company's revenues that is independent from PTK Centertel.

2.1.6 Sale of postpaid mobile phones

Mobile phones offered jointly with the postpaid activation are not a source of margin for Tell S.A. (their sale is neutral for Tell S.A.). They are sold at promotional prices (in such prices they are also bought from PTK Centertel) - much lower than market prices. This phenomenon is a form of subsidising the mobile phones by operators in order to lower the network entry barrier for the client. The subvention is a form of the operator's investment in the client and is repaid to the operator by the client on the basis of invoices for services over the subscription period.

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

Revenue from the sale of products and goods (in kPLN)	2010	2009	Change 2010/2009
Revenue from the sale of telecommunication services	77,908	84,094	92.64%
Sets and pre-paid refillments	19,099	20,158	94.75%
Postpaid contract phones	13,880	8,578	161.81%
Other revenue	9,191	8,623	106.58%
Total	120,078	121,453	98.87%

Service sale volume	2010	2009	Change 2010/2009
Postpaid activations	349,343	384,206	90.93%
Prepaid activations	113,165	167,126	67.71%
Total	462,508	551,332	83.89%

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

2.2.1 Situation on the mobile phone market

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

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

Revenues of mobile phone operators in mPLN

	2009	2010	change Value	change in %
PTK Centertel (ORANGE)	PLN 7,745	PLN 7,711	-PLN 34	-0.44%
PTC (ERA)	PLN 7,602	PLN 7,345	-PLN 257	-3.38%
Polkomtel (PLUS)	PLN 7,773	PLN 7,672	-PLN 101	-1.30%
P4 (PLAY)	PLN 1,340	PLN 2,000	PLN 660	49.25%
Total	PLN 24,460	PLN 24,728	PLN 268	1.10%

SIM cards as broken down into mobile phone operators in thousands

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

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

- a) exclusivity regarding the offer of one single operator in one single store;
- b) exclusive competence of operators as regards the number and location of shops offering their services;

- c) standardisation of the offer, visualisation and sale standards within the entire sale network (there are slight variances in this regard).

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

2.2.2 Sale network of Tell S.A.

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

The sale is conducted in two types of sale outlets: showrooms and agent's outlets. Showrooms are sale outlets where the Company employs its own employees and has its own electronic cash register. Agent's outlets are sale outlets managed by sub-agents, i.e. independent economic operators conducting their own business. The scope of business of the Company covers the whole territory of Poland.

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

2.2.3 Dependence on suppliers

The Company's main supplier is PTK Centertel Sp. z o.o. with registered office in Warsaw. Approx. 91% of sales of Tell S.A. in 2010 was effected based on contracts with PTK Centertel. Tell S.A. and PTK Centertel Sp. z o.o. do not have any capital or personal links.

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

2.3.1 Discussion of the main income statement items

The 2010 revenue from sale of TELL SA amounted to kPLN 120.078 and were 1% lower than in the previous year, whereby the Company noted a fall in revenues from the key segment - postpaid commissions.

In result of the said fall in commissions, part of outlets if the Company periodically noted a negative operating result, which translated into a fall in the operating profit of the whole Company. It amounted to kPLN 4,899 in 2010 and was 41% lower than in the previous year. This situation led the Company to close 14 weakest outlets in order to avoid the risk of running periodically unprofitable outlets in the year to come. The costs of such shut-downs were expensed in total in 2010.

The balance of financial income and expenses was positive, similarly as in 2009. A significant influence on the high balance level was exerted by the dividends paid by subsidiaries.

EBITDA of 2010 amounted to kPLN 6,635 and was lower by 36.9% than in the previous year.

Tell S.A.
Report of the Management Board on the activities of the Company in 2010

The 2010 net profit was kPLN 5,651 and was lower than in the previous year by 14%.

Income statement in kPLN

INCOME STATEMENT	2010	2009	2010/2009
Net revenues from sale	120,078	121,453	99%
Net revenues from the sale of products	84,360	89,922	94%
Net revenues from the sale of goods	35,718	31,530	113%
Sale costs	74,143	70,586	105%
Costs of products sold	39,488	40,807	97%
Value of goods sold	34,655	29,779	116%
Gross profit on sale	45,935	50,867	90%
Sale costs	32,454	34,283	95%
Administration costs	6,743	7,016	96%
Profit on sale	6,738	9,568	70%
Other operating income	447	286	156%
Other operating expense	2,285	1,597	143%
Profit on operating activities	4,899	8,258	59%
Financial income	3,372	873	386%
Financial costs	1,408	602	234%
Gross profit	6,864	8,529	80%
Income tax	1,213	1,951	62%
Net profit	5,651	6,578	86%

EBITDA	6,635	10,507	63.1%
Amortisation and depreciation	1,736	2,249	77.2%
EBITDA rate	5.5%	8.7%	63.9%
Gross profit on sales	38.3%	41.9%	91.3%
Profit on sales	5.6%	7.9%	71.2%
Operating profit	4.1%	6.8%	60.0%
Gross profit	5.7%	7.0%	81.4%
Net profit	4.7%	5.4%	86.9%

2.3.2 Discussion of the main items of the balance sheet

Interestingly, this year's balance sheet total of assets and equity & liabilities remained almost unchanged when compared to the previous year.

Fixed assets constitute 45% of total assets, and their share went up by 6% on the previous year. A significant item in this group constitute long-term investments - shares in subsidiaries. Their value rose significantly when compared to the previous year. The reason for this growth is the take-over of new shares in subsidiaries and additional payment of the price for shares in Impol Sp. z o.o.

The remaining fixed assets do not show any material changes when compared to the previous year. Similarly, the share of each item in the group of fixed assets did not change significantly either.

Current assets constitute 55% of total assets, and their share went down by 6% on the previous year to the benefit of fixed assets.

Significant items among current assets are receivables and cash, constituting, respectively, 35% and 3% of total assets. The share of receivables grew by 4% when compared to the previous year, and the growth of the share of cash is even more spectacular, i.e. 305%. This growth results from, among other things, the repayment of loans by subsidiaries. In result of this repayment, the level of financial assets wend down by 43%. Still noteworthy is the fall in the value of inventories, resulting mainly from rationalisation of warehouse turnover.

Tell S.A.
Report of the Management Board on the activities of the Company in 2010

The ratio of equity to liabilities is maintained at the same level as in the previous year – equity constitutes 46%, and liabilities 54% of total equity & liabilities. Also particular items of the equity & liabilities maintained the same proportion as in 2009 or disclose slight 2-3% variances when compared to the previous year.

As regards liabilities, the most important item constitute short-term liabilities, which constitute as much as 47% of total equity & liabilities. When compared to the previous year, the share of short-term liabilities went down by 2%. The share of long-term liabilities, i.e. loans, did not go down, because the Company took out a new investment loan.

Balance sheet as at 31/12/2010 in kPLN

SEPARATE BALANCE SHEET	2010 as at 31/12/2010		2009 as at 31/12/2009		Dynamics in % 2010/2009
	value	structure %	value	structure %	
Assets					
Fixed assets	51,520	44.94%	48,754	42.14%	106%
Intangible fixed assets	21,797	19.01%	21,705	18.76%	100%
Tangible fixed assets	3,731	3.25%	4,585	3.96%	81%
Long-term receivables	753	0.66%	730	0.63%	103%
Long-term investments	24,349	21.24%	20,585	17.79%	118%
Deferred income tax assets	502	0.44%	632	0.55%	79%
Long-term prepayments	387	0.34%	516	0.45%	75%
Current assets	63,124	55.06%	66,946	57.86%	94%
Stocks	12,833	11.19%	16,297	14.09%	79%
Trade receivables and other receivables	40,479	35.31%	39,097	33.79%	104%
Financial assets	5,879	5.13%	10,396	8.99%	57%
Prepayments	236	0.21%	244	0.21%	97%
Cash and cash equivalents	3,697	3.23%	912	0.79%	405%
Total assets	114,644	100%	115,700	100%	99%
Equity & Liabilities					
Shareholder's equity	53,052	46.28%	53,710	46.42%	99%
Share capital	1,262	1.10%	1,265	1.09%	100%
Own shares	0	0.00%	- 3	0.00%	0%
Supplementary capital	36,237	31.61%	35,969	31.09%	101%
Reserve capital	9,902	8.64%	9,902	8.56%	100%
Net profit	5,651	4.93%	6,578	5.69%	86%
Liabilities and provisions for liabilities	61,592	53.72%	61,989	53.58%	99%
Deferred tax liabilities	3,293	2.87%	2,498	2.16%	132%
Provision for retirement benefits and similar benefits	10	0.01%	10	0.01%	100%
Other provisions	757	0.66%	685	0.59%	111%
Long-term liabilities	4,134	3.61%	4,100	3.54%	101%
Short-term liabilities	53,397	46.58%	54,696	47.27%	98%
Total equity & liabilities	114,644	100%	115,700	100%	99%

2.3.3 Discussion of the cash flow statement

The analysis of the flows from operating activities indicates that the Company noted a fall in inventories of goods by kPLN 3.464. The receivables and liabilities grew by, respectively, kPLN 1,405 and kPLN 1,547. A significant

Tell S.A.
Report of the Management Board on the activities of the Company in 2010

growth was noted in the interest and dividend income item. In 2010, the Company received kPLN 2,661 in dividends. As part of its investing activities, the Company noted repayment of loans it granted in the amount of kPLN 13,072 and a grant of new loans during the year for the total of kPLN 9,100. Loans are granted to subsidiaries. The item - acquisition of shares in subsidiaries - includes the actual outflow of cash related to the payment for newly taken-over shares in subsidiaries for kPLN 2,764 and an additional payment for the price of shares in Impol Sp. z o.o. in an amount of kPLN 1,000.

Cash flow statement in kPLN

CASH FLOW STATEMENT	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
A. Cash flow from operating activity		
I. Gross profit (loss)	6,864	8,529
II. Total adjustments	-186	-3,609
1. Amortisation and depreciation	1,736	2,249
2. Interest and dividends	-2,681	-416
3. (Profit) loss on the sale of fixed assets	-112	-30
4. Change in provisions	72	285
5. Change in inventories	3,464	4,148
6. Change in receivables	-1,405	3,942
7. Change in short-term liabilities, excl. loans	-1,547	-12,568
8. Change in prepayments and accruals	138	62
9. Paid income tax	-411	-1,282
10. Impairment of loans	560	
III. Net cash flows provided by operating activities	6,678	4,919
B. Cash flow from investing activities		
I. Inflows	14,179	10,198
1. Disposal of tangible fixed assets	460	509
2. From financial assets, including interest	647	501
3. Repayment of loans	13,072	9,188
II. Outflows	-14,186	-24,468
1. Acquisition of intangible and tangible fixed assets	-1,322	-782
2. Acquisition of shares in subsidiaries	-3,764	-16637
3. Grant of advances	-9,100	-7,050
III. Net cash flows provided / (used) by investing activities	-7	-14,270
C. Cash flow from financial activity		
I. Inflows	3,066	5440
1. Loans	405	5440
2. Dividend	2,661	
II. Outflows	-6,952	-4,358
1. Purchase of treasury shares		-832
2. Dividends to shareholders	-6,310	-3155
3. Interest paid	-642	-371
III. Net cash flows provided / (used) by financing activities	-3,886	1,083
D. Total net cash flows	2,785	-8,268
E. Balance sheet change in cash, including	2,785	-8,268
F. Cash at the period beginning	912	9,180
G. Cash at period end, including:	3,697	912

2.4 Ratio analysis

For the correct interpretation of ratios characterising the efficiency of management of the Company's current assets, it is necessary to explain the way of reflecting in the Company' books the mechanisms by which Operator subsidises the postpaid activation phones.

Tell S.A.
Report of the Management Board on the activities of the Company in 2010

The Company acquires phones from the Operator at market prices. After the purchase, the Company incurs a liability in an amount equal to the market price of the phone. At the same time, the Company recognised in its assets an inventory stock valued at the phones' market prices.

The Company sells such phones in two variants:

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

In this case, the sale is made at the promotional price (allowing for a subsidy at the level agreed with the Operator). Thus, the Company makes a temporary loss on this particular transaction. However, immediately after the promotional sale, in accordance with the procedures agreed with the Operator in the contract, the Operator issues corrective invoices decreasing the original phone purchase price for the Company to the promotional price (allowing for the subsidy level). Thus, in effect, the transaction has a neutral effect on the Company's financial result.

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

In this case, the sale is made at the original Operator's purchase price and then the process is analogous as above, whereby it is the Company that issues a corrective invoice to the sub-agent, adjusting the original selling price.

The consequence of this mechanism, the so-called refunding, is a situation, when the management efficiency ratios may, in the Company's opinion, suggest excessive values. This situation results directly from the fact that balance sheet items (inventories, receivables and liabilities to the main supplier of phones sold in the post-paid service activation) are registered in the original purchase prices (without accounting for subsidies), and the sale and value of goods sold at the phone purchase price, are registered at promotional prices (allowing for the refund). As results from the below-presented turnover ratio formula, in each case they present two values registered in accordance with different principles (e.g. receivables / revenue from sale).

Additionally, the refunding process directly influences the level of mutual receivables and liabilities between the Operator and the Company. If a mathematical operation of compensating mutual settlements were conducted, the level of receivables and liabilities of the Company would be lower than disclosed in the financial statements. The Company makes assurances that the inventory, receivables and liabilities turnovers are in practice much shorter than the ratios below suggest.

Irrespective of the values we receive after the application of these ratio formulas, the fact that they are applied to both the 2010 and 2009 results allows one to analyse changes in particular values.

No.	Name of ratio	Formula	Measure	2010	2009
1	<u>Efficiency ratio</u>				
1.1	Cost level ratio	$\frac{\text{tax deductible cost}}{\text{sale revenue}}$		0.94	0.92
1.2	Asset turnover ratio	$\frac{\text{sale revenue}}{\text{total assets}}$		1.05	1.05
1.3	Fixed asset turnover ratio	$\frac{\text{sale revenue}}{\text{fixed assets}}$		2.33	2.50
1.4	Current asset turnover ratio	$\frac{\text{sale revenue}}{\text{current assets}}$		1.90	1.80

Tell S.A.
Report of the Management Board on the activities of the Company in 2010

1.5	Inventory turnover ratio	$\frac{\text{sale revenue}}{\text{inventories}}$	8.24	6.61
1.6	Inventory cycle indicator	$\frac{\text{inventories} \times \text{number of days in the period}}{\text{sale revenue}}$ days	44.27	55.21
1.7	Receivables turnover ratio	$\frac{\text{sale revenue}}{\text{trade receivables}}$	3.02	2.96
1.8	Receivables cycle indicator	$\frac{\text{receivables} \times \text{number of days in the period}}{\text{sale revenue}}$ days	120.94	123.17
2 Effectiveness ratios				
2.1	ROS	$\frac{\text{operating profit} \times 100}{\text{sale revenue}}$ %	5.72%	7.02%
2.2	NPM	$\frac{\text{net profit} \times 100}{\text{sale revenue}}$ %	4.71%	5.42%
2.3	Rate of return	$\frac{\text{net profit} \times 100}{\text{total assets at period end}}$ %	4.93%	5.68%
2.4	ROE	$\frac{\text{net profit} \times 100}{\text{equity}}$ %	10.65%	12.25%
3 Financial liquidity ratios				
3.1	Liquidity I	$\frac{\text{total current assets}}{\text{current liabilities}}$	1.18	1.23
3.2	Liquidity II	$\frac{\text{current assets} - \text{inventories}}{\text{current liabilities}}$	0.93	0.91
3.3	Liquidity III	$\frac{\text{cash}}{\text{current liabilities}}$	0.07	0.02
4 Capital structure ratios				
4.1	Debt ratio	$\frac{\text{total debt}}{\text{equity}}$	1.16	1.16
4.2	Equity to debt ratio	$\frac{\text{equity}}{\text{total debt}}$	0.86	0.86
4.3	Asset financing structure ratio	$\frac{\text{equity}}{\text{total capital}}$	0.46	0.46
4.4	Asset financing structure ratio	$\frac{\text{bank loans}}{\text{total capital}}$	0.05	0.05
4.5	Asset financing structure ratio	$\frac{\text{liabilities to suppliers}}{\text{total capital}}$	0.42	0.43

Tell S.A.
Report of the Management Board on the activities of the Company in 2010

5 Share value ratios			
5.1. PER	market price of shares*	15.41	10.17
	earnings per 1 share		

* market price of shares = closing rate as at 31/12/2009 - PLN 10.80 per 1 share

* market price of shares = closing rate as at 31/12/2010 - PLN 13.80 per 1 share

Efficiency ratio

The inventories and receivables turnover cycles show similar values in subsequent years. The Company enters into transactions only with entities with a good credit standing. All clients wishing to take advantage of the merchant's credit are subject to a verification procedure. The Company monitors its receivables on an on-going basis.

Effectiveness ratio

The Company generated a lower return ratio at the level of profit from economic activity and net profit. The ROE and ROA ratios went down, which was caused by the fall in net profit and unchanged relation between the assets and equity of the current and previous years.

Financial liquidity ratio

The liquidity I indicator was at the level close to 1.20 which reflects a very good liquidity situation of the Company. The Company is fully solvable and does not have any tax or social security contribution arrears. The Company maintains current liquidity and systematically makes settlements with its clients as part of its restrictive credit policy.

Capital structure ratio

The ratios presented do not disclose any changes when compared to the previous year. The financing structure did not change. The interest capital constitute 5% of total equity & liabilities and approx. 11% of total equity.

2.5 System of deferred commissions

Tell S.A. receives a commission from PTK Centertel for adding a new client to the Operator's postpaid service network. This commission is not paid on a one-off basis. The Company receives it in two instalments: the first one in the month when an activation is sold (the so-called monthly commission) and the second one in the sixth month after the sale of the given activation (the so-called 6th month commission).

2.6 Description of risk and threat factors, with a specification to what extent the issuer is exposed to them.

In the Company's opinion, the main risk factors are:

- 2.6.1 **Risk related to the macroeconomic situation of Poland**
- 2.6.2 **Dependence on PTK Centertel**
- 2.6.3 **Change of sale strategy by PTK Centertel**
- 2.6.4 **Growth in importance of other service sale channels at PTK Centertel (call centres, Internet)**
- 2.6.5 **Possibility to terminate the Agency Contract**
- 2.6.6 **Loss of competitive position of PTK Centertel**

2.7 Indication of court, arbitration or public administration proceedings.

Both the Company and the subsidiaries are parties to legal proceedings in courts of law, however none of such proceedings concerns liabilities or receivables whose value constitutes at least 10 % of the equity of the issuer. Similarly, the total value of, respectively, liabilities and receivables litigated in court does not constitute at least 10 % of the equity of the issuer.

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

3 EXPLANATORY NOTES

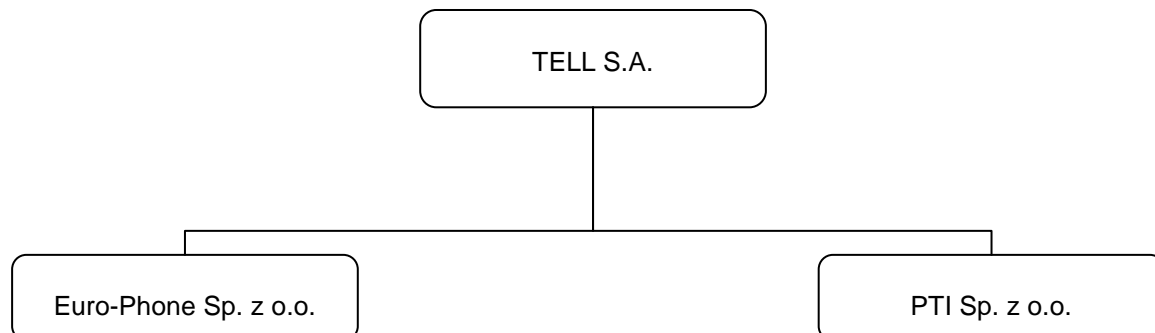
3.1 Information on contracts significant for the business of the issuer, including contracts between shareholders known to the issuer, insurance contracts and cooperation contracts

Significant contracts for Tell S.A. are contracts made with PTK Centertel Sp. o.o. with registered office in Warsaw.

3.1.1 Agency Contract of 01/06/2007

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

3.2 Information about organisational or capital links of the issuer with other entities and determination of its main domestic and foreign investments (securities, financial instruments, intangible assets and real estates), including equity investments made outside the group of related entities as well as description of their financing.



Tell S.A.
Report of the Management Board on the activities of the Company in 2010

Euro-Phone Sp. z o.o.

- Seat of the Company: ul. Taneczna 18c, 02-829 Warszawa,
- 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 19 March 1998 (Notarised deed No. A 2699/98). The registration authority is the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, KRS 0000010796. Incorporation date: 25 May 2001,
- The Company's share capital is PLN 2.550.000. In Euro-Phone Sp. z o.o., Tell S.A, holds 100% of shares.

PTI Sp. z o.o.

- Seat of the Company: ul. Glogera 5, 31-222 Kraków,
- Basic objects of business: (Polish Classification of Economic Activities of 2007) 4618Z Agents specialised in the sale of other particular products,
- Company's legal basis: The Company was established on 12 July 2007 - Notarised deed No. A 5675/2007. The registration authority is the District Court for Krakow - Śródmieście in Krakow, 11th Commercial Division of the National Court Register, KRS 0000286046. Incorporation date: 13 August 2007,
- The Company's share capital is PLN 1,900,000. In PTI Sp. z o.o., Tell S.A, holds 100% of shares.

3.3 Information on material transactions entered into by the issuer or its subsidiary with related parties at terms and conditions other than at arm's length.

Tell and its subsidiaries did not enter into any transactions at terms and conditions other than at arm's length.

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

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

Loan security:

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

Tell S.A.
Report of the Management Board on the activities of the Company in 2010

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

Loan security:

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

SHORT-TERM LOAN LIABILITIES TELL S.A.					
Name of company	Seat	Loan amount per contract in kPLN	Loan amount outstanding as at 31/12/2010 in kPLN	Interest terms	Repayment date
BANK DnB NORD POLSKA S.A.	Warszawa	5,000	0	WIBOR 1M +bank margin	30/04/2011
ALIOR BANK S.A.	Warszawa	2,000	0	WIBOR 1M + bank margin	22/03/2011

Loan security:

BANK DnB NORD POLSKA S.A.:

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

Alior Bank S.A.:

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

Bank guarantees

The Company takes advantage of guarantee lines as:

- performance guarantees
- commercial premises lease payment guarantees

The bank guarantee issuer is Bank DnB NORD Polska S.A. up to the amount of kPLN 2,000. The beneficiaries are commercial networks such as Tesco, Carrefour, Real, Kaufland and other, from which the Company leases commercial premises in commercial centres.

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

3.5.1 Loans granted

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

3.5.2 Securities granted

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

3.6 Description of the use of issue proceeds by the Issuer

In 2010, the Company did not issue any shares.

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

The Company did not publish any financial result forecasts.

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

In 2010, Tell S.A. conducted a rational financial management. The Company timely discharged its liabilities, carried out a restrictive credit policy with regard to its clients and ensured a tight monitoring of receivables. The Company has not been a party to any currency contracts (options, futures, forward), and did not hedge against currency risk in any manner.

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

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

3.10 Factors and non-typical events influencing the result of the financial year, specifying the degree of influence of such factors or non-typical events on the result achieved.

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

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

The Company's strategy assumes the maximisation of the sale network size and efficiency in order to obtain a relative competitive advantage over the remaining mobile phone distribution segment entities.

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

- a) conclusion on 1 February 2011 of a new agency contract with PTK Centertel, introducing a new commission system for PTK Centertel's agents, including Tell S.A.;
- b) situation on the mobile phone market, including:
 - the growth of the market saturation,
 - growth in the number of contracts prolonged with clients acquired in previous years,
 - level of client migration between operators,
 - rise in the sale of services of fixed and mobile access to the Internet and data transmission services,
 - average revenue from a client,
- c) sale policy of PTK Centertel and other operators;
- d) appearance on the market of possible new operators;

3.12 Most important achievements in research and development.

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

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

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

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

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

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

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

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

Members of the Management Board are appointed by the Supervisory Board for a joint 5-year term of office. Also the recalling of the Members of the Management Board is the competence of the Supervisory Board. The principles of operation of the Management Board are governed by the Code of Commercial Companies, the

Tell S.A.
Report of the Management Board on the activities of the Company in 2010

Articles of Association and the Management Board By-Laws. The Management Board manages the Company and represents it externally. The scope of competence of the Management Board includes all issues related to the management of the Company not reserved by the law or the Articles of Association to the exclusive competence of the Meeting of Shareholders or the Supervisory Board. The power to make declarations on behalf of the Company rests with the President of the Management Board acting autonomously, two Members of the Management Board acting jointly or one Member of the Management Board acting jointly with a commercial proxy.

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

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

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

During the reporting period the Company did not pay any remuneration, bonuses or benefits under any incentive or bonus schemes. There were no due or potential remunerations, bonuses or benefits on this account. The Company did not grant any remuneration or benefits for functions performed in the governing bodies of subsidiaries either. The Company's Management Board members received remuneration based on work contracts in their reporting period. The Company's Supervisory Board members received remuneration for their functions performed in the supervisory body. The remuneration of Management Board and Supervisory Board members for 2010 and comparable data are presented in kPLN in the table below.

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

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

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

Rafał Maciej Stempniewicz – President of the Management Board – 297,280 shares of the nominal value of PLN 59.456,00,

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

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

Tell S.A.
Report of the Management Board on the activities of the Company in 2010

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

Paweł Stanisław Turno – Chairman of the Supervisory Board – 170,625 shares of the nominal value of 34,125.00.

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

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

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

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

The Company does not have information about any such contracts.

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

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

3.21 Information about the employee shareholding plan control system.

There are no employee shareholding plans in the Company.

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

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

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

Remuneration paid or due to in kPLN	2010	2009
- for the audit of the separate and consolidated financial statements	40	39
- for other attestation services, including the review of the separate and consolidated financial statements	41	28

Tell S.A.
Report of the Management Board on the activities of the Company in 2010

- for tax advisory services		
- for other services		
Total	81	67

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

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

On 20 June 2010, the Management Board of Tell S.A. signed an agreement with PKF Audyt Sp. z o.o. with registered office in Warsaw, entered into the list of the Polish Board of Chartered Auditors under number 548, concerning the review of the separate and consolidated statements of Tell S.A. prepared in accordance with IFRS standards as at 30 June 2010.

The total value of consideration under the agreement with the auditor due or paid for the review of the separate and consolidated financial statements for the first half of 2010 amounted to PLN 41.200 net.

On 07 August 2009, the Management Board of Tell S.A. signed an agreement with PKF Audyt Sp. z o.o. with registered office in Warsaw, entered into the list of the Polish Board of Chartered Auditors under number 548, concerning the review of the separate and consolidated statements of Tell S.A. prepared in accordance with IFRS standards as at 30 June 2009 and the audit of the separate and consolidated financial statement of Tell S.A. prepared in accordance with IFRS standards as at 31 December 2009.

The total value of consideration under the agreement with the auditor due or paid for the review of the separate and consolidated financial statements for the first half of 2009 and the audit of of the separate and consolidated financial statements for 2009 the amounted to PLN 67.000 net.

Poznań, 7 March 2011.

Rafał Stempniewicz

Stanisław Górski

Robert Krasowski

President of the Management Board

Member of the Management Board

Member of the Management Board