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

1 LEGAL STATUS OF TELL S.A.

1.1 Information about the company

Name:	**Tell**
Legal form:	**Spółka Akcyjna *(Polish joint-stock company)***
Seat:	**61-362 Poznań, ul. Forteczna 19a**
Country of incorporation:	**Poland**

Basic objects of business:

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

Registration authority:

District Court Poznań- Nowe Miasto i Wilda, 8th Commercial Division of the National Court Register

Statistical number (REGON): 630822208

1.2 Composition of the governing bodies of the Company as at 31 December 2012

Management Board:

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

Changes in the Management Board of the Company:

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

Supervisory Board:

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

Changes in the Supervisory Board:

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

1.3 Chartered auditors

Grant Thornton Frąckowiak Sp. z o.o., Sp.k.
ul. Abpa A. Baraniaka 88E
61-131 Poznań

1.4 Quotations at the regulated market

1. General:

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

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

1.5 Share capital.

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

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

2 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 31/12/2012, the sale was conducted in a Orange brand network of 184 sale outlets (channel dedicated to individual clients) and 43 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, much lower than the 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 services and goods (in kPLN)	2012	2011	Change 2012/2011
Revenue from the sale of telecommunication services	60,001	74,504	80.53%
Sets and pre-paid refillments	13,266	17,209	77.09%
Postpaid contract phones	5,676	9,327	60.86%
Other revenue	6,615	7,827	84.52%
Total	85,558	108,867	78.59%

Service sale volume	2012	2011	Change 2012/2011
Postpaid activations	268,028	295,874	90.59%
Prepaid activations	88,839	112,922	78.67%
Total	356,867	408,796	87.30%

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 and paid television through fixed phones. In 2012, 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. A supplementary source of income of the Company are bonuses related to the after-sale service and maintenance of sale standards.

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

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

The estimated market share of PTK Centertel as at the end of December 2012 amounted to 27.6% in terms of the number of clients and 29.8% in terms of revenue. It was, respectively, 29.0% in terms of quantity and 30.2% in terms of value in 2011, and 30.4% and 31.1% in 2010 (date from the reports of TP SA)

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.

In 2012, PTK Centertel continued the process of optimisation of the sales network, which consisted mainly in closing down of ineffective stores.

2.2.2 Sale network of Tell S.A.

As at 31/12/2012, the sale was conducted in a network of 184 sale outlets (channel dedicated to individual clients) and 43 Business Client Consultants (channel dedicated to business clients). The average number of sale outlets in 2012 was 188, which was a fall by 15% when compared to 2011, however the number of Business Client Consultants in 2012 was 55, which was a fall by 20% when compared to the average number in 2011. Considering the scale of the PTK Centertel network downsizing, the Company estimates that its share in the operator's sale network at the end of 2012 did not change when compared to 2011. Consequently, the Company maintained its position of PTK Centertel's biggest agent.

The sale in network outlets 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.

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 2012 was effected based on the contract 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 revenue from the sale amounted to kPLN 85.558 and was lower by 21.4% than in the corresponding period of previous year. The fall in the revenue in approx. 40% concerned the low-margin or no-margin lines of revenue, and in the remaining part was due mainly to the reduction of the sale network.

The operating profit for 2012 amounted to kPLN 5,845 and was higher by 20.9% than in the corresponding period of previous year mainly due to the cost reduction.

EBITDA of 2012 amounted to kPLN 6,883 and was higher by 10.0% than in the previous year.

The net profit of 2012 amounted to kPLN 9,963 and was higher than the one received in the corresponding period of the previous year by 4.9%. At the same time, this is the highest net profit ever earned by the Company in its over 15 year long history.

Income statement in kPLN

	from 01/01 to 31/12/2012	from 01/01 to 31/12/2011	2012/2011
Sale revenues	**85,558**	**108,867**	**78.6%**
Revenue from the sale of services	64,865	80,197	80.9%
Revenue from the sale of goods and materials	20,693	28,670	72.2%
Sale costs	**46,926**	**70,035**	**67.0%**
Costs of services sold	28,474	42,729	66.6%
Cost of goods and materials sold	18,452	27,306	67.6%
Gross profit on sales	**38,632**	**38,832**	**99.5%**
Sale costs	25,618	27,205	94.2%
Administration costs	5,857	6,275	93.3%
Other operating income	222	315	70.5%
Other operating expense	1,534	830	184.8%
Profit on operating activities	**5,845**	**4,836**	**120.9%**
Financial income	6,250	6,452	96.9%
Financial costs	501	658	76.1%
Profit before tax	**11,594**	**10,630**	**109.1%**
Income Tax	1,631	1,135	143.7%
Net profit	**9,963**	**9,494**	**104.9%**

EBITDA	6,883	6,258	110.0%
Amortisation and depreciation	1,038	1,421	73.1%
EBITDA rate	8.0%	5.7%	140.0%
Gross profit on sales	45.2%	35.7%	126.6%
Profit on sales	8.4%	4.9%	170.2%
Operating profit	6.8%	4.4%	153.8%
Gross profit	13.6%	9.8%	138.8%
Net profit	11.6%	8.7%	133.5%

2.3.2 Discussion of the main items of the balance sheet

What draws attention in the presented balance sheet is the fall in the balance sheet total from kPLN 113,177 in 2011 to kPLN 98,967 in 2012, i.e. by 12.6%. The share of fixed assets and current assets in total assets is, respectively, 51.4% and 48.6% (2011: 45.5% and 54.5%). The value of fixed assets was subject to a slight adjustment when compared to last year's. In this group, the highest growth in value was noted in the group of intangible assets - by 68.2%, and the highest fall in the group of receivables and loans - by 46.8%. The share of current assets in total assets fell from 54.5% in 2011 to 48.60% in 2012. In terms of value, the current assets fell by 22.1% from kPLN 61,703 in 2011 to kPLN 48,094 in 2012. In the category of current asset, there was a considerable decrease in the value of inventories and trade receivables, respectively by 23.5% and 23.9%. The decrease in inventories from kPLN 9,823 to kPLN 7,516 in 2012 is a result of a sale network downsizing. The fall in the value of receivables from kPLN 9,823 in 2011 to kPLN 7,516 is a consequence, similarly as in the case of inventories - of the sale network downsizing.

With regard to the equity and liabilities, the equity constituted 59.2% and the liabilities 40.8% (2011: 50.8% and 49.2%). The value of equity grew by 1.9%, and liabilities fell by 27.5%. It is worthwhile to note the considerable drop in trade liabilities from kPLN 46,493 in 2011 to kPLN 31,370 in 2012, i.e. by 32.5%. The share of these liabilities in total liabilities & equity fell from 41.1% in 2011 to 31.7% in 2012. The fall in liabilities results, similarly as in the case of trade receivables, from the sale network downsizing and a change in the manner of settlements with the network operator as well as with the settlement of all liabilities towards this operator due to the purchase of phones, which arose by 30 April 2012. The new settlement method was implemented on 1 May 2012. This change is only a technical in its nature and is related to the way of settling invoices correcting the sale with sale invoices. The network operator did not change the payment terms or the terms of delivery of goods.

Balance sheet as at 31/12/2012 in kPLN

ASSETS	31/12/2012		31/12/2011		2012/2011
Fixed assets	value	structure	value	structure	dynamics
Goodwill	21,298	21.5%	21,298	18.8%	100.0%
Intangible fixed assets	523	0.5%	311	0.6%	168.2%
Tangible Fixed Assets	2,368	2.4%	2,797	5.4%	84.7%
Interests in related parties	25,636	25.9%	25,636	49.8%	100.0%
Receivables and loans	351	0.4%	660	1.3%	53.2%
Long-term prepayments	235	0.2%	304	0.6%	77.3%
Deferred income tax assets	462	0.5%	468	0.9%	98.7%
Fixed assets	**50,873**	**51.4%**	**51,474**	**45.5%**	**98.8%**
Current assets					
Inventories	7,516	7.6%	9,823	8.7%	76.5%
Trade receivables and other	26,720	27.0%	35,121	31.0%	76.1%
Loans	7,482	7.6%	9,782	8.6%	76.5%
Short-term prepayments	306	0.3%	221	0.2%	138.5%
Cash and cash equivalents	6,068	6.1%	6,756	6.0%	89.8%
Current assets	**48,094**	**48.6%**	**61,703**	**54.5%**	**77.9%**
Total assets	**98,967**	**100.0%**	**113,177**	**100.0%**	**87.4%**

EQUITY AND LIABILITIES	31/12/2012	31/12/2011	2012/2011	31/12/2012	31/12/2011
Shareholder's equity	value	structure	value	structure	dynamics
Equity - share of the company shareholders:					
Core capital	1,136	1.1%	1,262	1.1%	90.0%
Share premium	24,863	25.1%	24,863	22.0%	100.0%
Other reserve capitals	1,186	1.2%	9,902	8.7%	12.0%
Retained profits:					
- retained net profit	21,471	21.7%	11,976	10.6%	179.3%
- net profit for the company's shareholders	9,963	10.1%	9,494	8.4%	104.9%
Equity - share of the shareholders of the	58,619	59.2%	57,498	50.8%	101.9%
Shareholder's equity	**58,619**	**59.2%**	**57,498**	**50.8%**	**101.9%**
Liabilities					
Long-term liabilities					
Loans, credits, other loan instruments	713	0.7%	2,423	2.1%	29.4%
Deferred income tax liabilities	4,047	4.1%	3,917	3.5%	103.3%
Employee benefit liabilities	40	0.04%	10	0.01%	400.0%
Long-term liabilities	**4,800**	**4.9%**	**6,350**	**5.6%**	**75.6%**
Short-term liabilities					
Trade liabilities and other	31,370	31.7%	46,496	41.1%	67.5%
Current tax liabilities	1,232	1.2%	173	0.2%	712.1%
Loans, credits, other loan instruments	1,711	1.7%	1,856	1.6%	92.2%
Employee benefit liabilities	1,219	1.2%	777	0.7%	156.9%
Other short-term provisions	16	0.02%	28	0.02%	57.1%
Short-term liabilities	**35,548**	**35.9%**	**49,328**	**43.6%**	**72.1%**
Total provisions	**40,348**	**40.8%**	**55,679**	**49.2%**	**72.5%**
Total equity and liabilities	**98,967**	**100.0%**	**113,177**	**100.0%**	**87.4%**

2.3.3 Discussion of the cash flow statement

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

The analysis of the flows from operating activities indicates that the Company noted a fall in inventories of goods by kPLN 2,307, in receivables by kPLN 8,709 and in liabilities by as much as kPLN 15,125. The above-mentioned falls are related to the sale network downsizing and, in case of liabilities, with the change of the manner of settlements resulting from the previous system (cf. item 2.3.2). The interest and dividend income at the level comparable to the previous year's. In 2012, the Company received kPLN 5,059 in dividends. As part of its investing activities, the Company noted repayment of loans it granted in the amount of kPLN 5,800 and a grant of new loans during the year for the total of kPLN 3.500. Loans are granted to related parties. The Company spent kPLN 8,842 to purchase its treasury shares.

Cash flow statement in kPLN

	from 01/01 to 31/12/2012	**from 01/01 to 31/12/2011**
Cash flow from operating activity		
Profit before tax	**11,594**	**10,630**
Adjustments:		
Depreciation of tangible fixed assets	903	1,199
Amortisation of intangible fixed	135	222
Profit (loss) on the sale of non-financial fixed assets	105	152
Interest expense	500	658
Interest and dividend income	-6,250	-6,450
Total adjustments	-4,607	-4,218
Change in inventories	2,307	3,009
Change in receivables	8,709	5,451
Change in liabilities	-15,125	-4,936
Change in provisions and prepayments	445	145
Changes in working capital	-3,663	3,669
Taxes paid	-437	-559
Net cash flow from operating activity	**2,887**	**9,522**
Cash flow from investment activity		
Expenses to purchase fixed assets	-1,024	-661
Inflows from the sale of fixed assets	98	210
Net expenses to purchase related parties		-1,287
Received repayments of loans granted	5,800	15,050
Loans granted	-3,500	-19,750
Interest income	1,191	1,654
Dividend income	5,059	5,592
Net cash flow from investing activity	**7,624**	**809**
Cash flow from financial activity		
Purchase of treasury shares	-8,842	
Repayment of loans and advances	-1,856	-1,566
Interest paid	-500	-658
Dividends paid		-5,048
Net cash flow from financial activity	**-11,198**	**-7,272**
Net change in cash and cash equivalents	**-687**	**3,058**
Cash and cash equivalents at period beginning	6,756	3,697
Cash and cash equivalents at period end	**6,068**	**6,756**

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.

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 it 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 2012 and 2011 results allows one to analyse changes in particular values.

No.	Name of ratio	Formula	Measure	2012	2011
1	**Efficiency ratio**				
1.1	Cost level ratio	tax deductible cost / sale revenue		0.92	0.95
1.2	Asset turnover ratio	sale revenue / total assets		0.86	0.96
1.3	Fixed asset turnover ratio	sale revenue / fixed assets		1.68	2.11
1.4	Current asset turnover ratio	sale revenue / current assets		1.78	1.76
1.5	Inventory turnover ratio	sale revenue / inventories		11.38	11.08
1.6	Inventory cycle indicator	inventories x number of days in the period / sale revenue	days	32.06	32.93
1.7	Receivables turnover ratio	sale revenue / trade receivables		3.16	3.04
1.8	Receivables cycle indicator	receivables x number of days in the period / sale revenue	days	115.49	119.96
2	**Effectiveness ratios**				
2.1	NPM Gross	operating profit x 100 / sale revenue	%	14.79%	9.76%
2.2	NPM Net	net profit x 100 / sale revenue	%	11.65%	8.72%
2.3	Rate of return	net profit x 100 / total assets at period end	%	10.07%	8.39%
2.4	ROE	net profit x 100 / equity	%	17.00%	16.51%
3	**Financial liquidity ratios**				
3.1	Liquidity I	total current assets / current liabilities		1.40	1.27
3.2	Liquidity II	current assets - inventories / current liabilities		1.18	1.06
3.3	Liquidity III	cash / current liabilities		0.18	0.14
4	**Capital structure,ratios**				
4.1	Debt ratio	total debt		0.69	0.97

		equity		
4.2	Equity to debt ratio	equity / total debt	1.45	1.03
4.3	Asset financing structure ratio equity	equity / total capital	0.59	0.51
4.4.	Asset financing structure ratio bank loan	bank loans / total capital	0.02	0.04
4.5.	Asset financing structure ratio liabilities	liabilities to suppliers / total capital	0.29	0.39
5	**Share value ratios**			
5.1.	PER	market price of shares* / earnings per share	6.27	7.13

* market price of shares = closing rate as at 30/12/2011 - PLN 10.70 per 1 share

* market price of shares = closing rate as at 28/12/2012 - PLN 10.00 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 higher profitability ratios. The improvement in ratios is related to the growth in the profits earned in 2012.

Financial liquidity ratio

The liquidity I indicator was at the level of 1.40, 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 show changes when compared to the previous year. The financing structure improved. The interest debt constitute 2% of total equity & liabilities and approx. 4% of total equity.

2.5 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:

2.5.1 **Risk related to the macroeconomic situation of Poland**

2.5.2 **Dependence on PTK Centertel**

2.5.3 **Change of the sale strategy by PTK Centertel (including a sale network downsizing)**

2.5.4 **Growth in importance of other service sale channels at PTK Centertel (call centres, Internet)**

2.5.5 **Possibility to terminate the Agency Contract**

2.5.6 **Loss of competitive position of PTK Centertel**

2.6 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 20 November 2012

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

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.

The Tell S.A. Group comprises Tell S.A. and its related companies.

Euro-Phone Sp. z o.o.

– Seat of the Company: ul. Puławska 40a, 05-500 Piaseczno,

– Basic object of business: Agents specialised in the sale of other particular products (Polish Classification of Economic Activities of 2007 - 4618Z),

– Company's legal basis: The Company was established on 19 March 1998 (Notarised deed No. A 2699/98). The registration authority is the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, KRS 0000010796. Incorporation date: 25 May 2001,

– The Company's share capital is PLN 2,550,000. In Euro-Phone Sp. z o.o., Tell S.A, holds 100% of shares.

PTI Sp. z o.o.

– Seat of the Company: ul. Forteczna 19A, 61-362 Poznań,

– Basic objects of business: (Polish Classification of Economic Activities of 2007) 4618Z Agents specialised in the sale of other particular products,

– Company's legal basis: The Company was established on 12 July 2007 (Notarised deed No. A 5675/2007. The registration authority is the District Court for Krakow - Śródmieście in Krakow, 11th Commercial Division of the National Court Register, KRS 0000286046. Incorporation date: 13 August 2007,
– The Company's share capital is PLN 1.900.000. In PTI Sp. z o.o., Tell S.A, holds 100% shares.

Toys4Boys Pl. Sp. z o.o.

– Seat of the Company: ul. Nowy Świat 11B, 80-299 Gdańsk,
– Basic object of business: Retail sale via mail order houses or via Internet (Polish Classification of Economic Activities of 2007 – 4791Z),
– Company's legal basis: The Company was established on 16 February 2007 (Notarised deed No. 5029/2007). Registration authority: District Court for Gdańsk-Północ in Gdansk, 7th Commercial Division of the National Court Register, KRS 0000276286. Incorporation date: 12 March 2007,
– The share capital of the Company is PLN 142,900. In Toys4Boys. Pl Sp. z o.o. Tell S.A. holds 30% of shares.

Connex Sp. z o.o.

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

3.3 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 S.A. and its related parties did not enter into any transactions at terms and conditions other than at arm's length.

3.4 Information about loan and credit contracts signed or terminated in the given financial year, with a specification of at least their values, type and amount of the interest rates, currency and maturity dates.

	Interest rate	Maturity date	Value in PLN	Liability as at 31/12/2012	
				short-term	long-term
Overdraft facilities Alior Bank S.A	variable	04/04/2013	2,000		
Overdraft facilities Bank DnB Nord Polska	variable	30/05/2013	5,000		
Loan facilities Alior Bank S.A.	variable	30/05/2014	8,000	1,711	713

The loans have variable interest rates based on the reference rate of 1M WIBOR., which as at 31/12/2012 amounted to 4.22 % (31/12/2011: 4.77 %). No loan agreement has been terminated in the current year.
The loan liabilities of the Company are covered by the following collaterals (as at the balance sheet day):

- pledge on shares in subsidiaries up to the amount of kPLN 46.840 (2011: kPLN 46,840),
- registered pledge on inventories and inventory repossession contracts up to the amount of kPLN 19,625 (2011: kPLN 19,625),
- assignment of rights under insurance policies,.

- statement on enforcement,
- power of attorney to dispose of the current and future inflows to the bank account.

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

	31/12/2012	31/12/2011
Financial assets – shares	1,286	1,286
Inventories	10,159	13,773
Total carrying amount of assets constituting a liability collateral	11,445	15,059

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 31/12/2012, the value of loans granted to subsidiaries amounted to kPLN 7,482. Of that, respectively, for PTI Sp. z o.o.: kPLN 3.200 and for Euro-Phone Sp z o.o.: kPLN 4.282. The loans mature on 30 June 2013. The loans are granted at variable interest rates calculated as the sum of the following components: interest rate determined as above plus a margin of 3.50%.

The interest rate changes with each first day of a calendar month of the contract validity pro rata to the reference rate calculated and rounded up/down to the second digit on the basis of the arithmetical average of 1M WIBOR for deposits over the last 10 working days of the previous calendar month.

3.5.2 Securities granted

Entity	Type of liability	Value as at in kPLN 31/12/2012	Beneficiary
PTC Sp. z o.o.	merchant's loan	6,300	Euro-Phone Sp. z o.o.
Bank DnD Nord Polska S.A.	guarantee line facility	4,200	Euro-Phone Sp. z o.o.
Bank DnD Nord Polska S.A.	loan	5,125	Euro-Phone Sp. z o.o.
Alior Bank S.A.	loan	10,000	PTI Sp. z o.o.
Alior Bank S.A.	guarantee line facility	2,600	PTI Sp. z o.o.
Polkomtel S.A.	merchant's loan	1,200	PTI Sp. z o.o.

3.6 Description of the use of issue proceeds by the Issuer

In 2012, 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 2012, 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 2013 include:

a) situation on the mobile phone market, including:
    - the growth of the market saturation,
    - growth in the number of contracts prolonged with clients acquired in previous years,
    - level of client migration between operators,
    - rise in the sale of services of fixed and mobile access to the Internet and data transmission services,
    - average revenue from a client,
    - outflow of clients to the PLAY network

b) sale policy of PTK Centertel and other operators, in particular with regard to the tendency to decrease the sale network;

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

3.12 Most important achievements in research and development.

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

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.

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

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

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

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

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 2012 and comparable data are presented in kPLN in the table below.

	2012	2011
Members of the Management Board		
Rafał Stempniewicz	661	621
Stanisław Górski	319	320
Robert Krasowski	447	403
	1,428	1,344
Members of the Supervisory Board		
Tomasz Buczak		12
Tomasz Grabiak		5
Piotr Karmelita	18	13
Łukasz Kręski	18	1

Marek Piątkowski		7
Paweł Turno	22	16
Mariola Więckowska	18	13
Adam Wojacki	18	1
	94	67
total	1,522	1,411

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 31/12/2012.

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

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

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

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

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

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

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

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 31/12/2012.

Shareholder	Number of registered shares	Number of bearer shares	Total shares	Number of votes per registered shares	Number of votes per bearer shares	Total votes	% of share capital	% of votes
BBI Capital NFI S.A.	1,286,632		1,286,632	2,573,264		2,573,264	22.66%	35.68%
Havo Sp. z o.o.		675,000	675,000		675,000	675,000	11.89%	9.36%
Rafał Stempniewicz	157,482	100,372	257,854	314,964	100,372	415,336	4.54%	5.76%
AVIVA Investors FIO AVIVA Investors SFIO		657,672	657,672		657,672	657,672	11.58%	9.12%
Quercus Parasolowy SFIO		893,461	893,461		893,461	893,461	15.74%	12.39%
	1,444,114	2,326,505	3,770,619	2,888,228	2,326,505	5,214,733	66.41%	72.30%

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

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

In 2012, the Management Board of Tell S.A. signed an agreement with Grant Thornton Frąckowiak Sp. z o.o. s.k. with registered office in Poznań, entered into the list of the Polish Board of Chartered Auditors under number 3654, concerning the audit of the separate and consolidated statements of Tell S.A. prepared in accordance with IFRS standards as at 31 December 2012 and the audit of the mid-year separate and consolidated financial statement of Tell S.A. prepared in accordance with IFRS standards for the period from 1 January to 30 June 2012.
The total value of consideration under the agreement with the auditor due or paid for the audit of the separate and consolidated financial statements for 2012 and for the mid-year audit amounted to PLN 68.900 net.

Poznań, 15 March 2013.

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