

**REPORT OF THE MANAGEMENT BOARD
ON THE ACTIVITIES OF TELL S.A.
IN 2013**

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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:	61-362 Poznań, ul. Forteczna 19a
Country of incorporation:	Poland
Basic objects of business:	<ul style="list-style-type: none">- 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 17 March 2014

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
Jerzy Motz	- Member of the Supervisory Board
Tomasz Mazurczak	- Member of the Supervisory Board
Piotr Cholewa	- Member of the Supervisory Board
Tomasz Słowiński	- Member of the Supervisory Board

Changes in the Supervisory Board:

In the financial year, the composition of the Supervisory Board changed. The following persons resigned from their functions as members of the Supervisory Board: Mariola Więckowska, Łukasz Kręski, Piotr Karmelita and Robert Walicki. By virtue of resolution of the Extraordinary General Meeting of Shareholders of 27 September 2013, Mr Tomasz Mazurczak and Mr Jerzy Motz and by virtue of resolution of 10 March 2014 Mr Piotr Cholewa and Mr Tomasz Słowiński were appointed Members of the Supervisory Board .

1.3 Chartered auditors

Grant Thornton Frackowiak 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
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3. Contact with investors:	Tell S.A. ul. Forteczna 19a 61-362 Poznań
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1.5 Share capital.

As at the balance sheet date, the value of share capital of Tell S.A. amounts to PLN 1.022.169,40. The capital is divided into 5.110.847 shares of the nominal value of PLN 0.20 each, including:

- 1.381.312 series A registered preferential shares (one share entitles to two votes)
- 3.729.535 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 an authorised Poland-wide representative of Orange S.A.(formerly PTK Centertel Sp. z o.o). It operates on the mobile phone service retail market. As at 31/12/2013, the sale was conducted in a Orange brand network of 173 sale outlets (channel dedicated to individual clients) and 38 Business Client Consultants (channel dedicated to business clients). On the basis of an Agency Agreement with Orange Polska S.A., Tell S.A. offers to the clients - on the exclusivity basis, the services of the Orange operator.

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. 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 Orange Polska. The commission is the most important source of margin for Tell S.A.

2.1.2 Wide-band Internet access services

In its sale network, Tell S.A. offers the services of Orange Polska S.A. 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 Orange's network is a trade margin realised on the sale of the so-called starting sets (SIM card plus a phone number).

2.1.4 Prepaid account refilling

Another source of revenue for Tell S.A. are the calling cards (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.

2.1.5 Sale of mobile phone accessories

Until October 2013, the sale of mobile phone accessories was a source of Company's revenues that was independent from Orange Polska. Currently, the only accessories provider is the Orange network operator.

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)	2013	2012	Change 2013/2012
Revenue from the sale of telecommunication services	61,904	60,001	103.17%
Sets and pre-paid refillments	11,014	13,266	83.03%
Postpaid contract phones	6,191	5,676	109.08%
Other revenue	6,580	6,615	99.47%
Total	85,690	85,558	100.15%

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Service sale volume	2013	2012	Change 2013/2012
Postpaid activations	271,263	268,028	101.21%
Prepaid activations	80,689	88,839	90.83%
Total	351,952	356,867	98.62%

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 on an ever growing basis, the market of wide band Internet access and paid television through fixed phones. In 2013, 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.

In case of a 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 active SIM cards grew by 4.1% from the beginning of 2013. This means, that the market penetration ratio for mobile telephony (among individuals) amounted to 147%, as compared to 141% as at the end of 2012 and 123.7% as at the end of 2011.

The estimated market share of PTK Centertel as at the end of December 2013. amounted to 27.3% in terms of the number of clients and 28% in terms of revenue. It was, respectively, 27.6% in terms of quantity and 29.8% in terms of value in 2012, and 29% and 30.2% in 2011 (date from the reports of TP SA)

The mobile phone operators service distribution market. The three key rules applicable to distributors did not change:

- 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 2013, Orange Polska 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 31/12/2013, the sale was conducted in a network of 173 sale outlets (channel dedicated to individual clients) and 38 Business Client Consultants (channel dedicated to business clients). The average number of sale outlets in 2013 was 176, which was a fall by 6% when compared to 2012, however the number of Business Client Consultants in 2013 was 42, which was a fall by 24% when compared to the average number in 2012. Considering the scale of the Orange network outlet downsizing, the Company estimates that its share in the operator's sale network at the end of 2013 did not change when compared to 2012. In consequence, the Company maintained its position of the largest Orange service sale 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 Orange Polska S.A. with registered office in Warsaw. Approx. 91% of sales of Tell S.A. in 2013 was effected based on the contract with PTK Centertel. Tell S.A. and Orange Polska S.A. 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 in 2013 amounted to kPLN 85,690 and was higher by 0.2% than in the corresponding period of previous year.

The operating profit for 2013 amounted to kPLN 8,881 and was higher by 51.9% than in the corresponding period of previous year mainly due to the cost reduction.

EBITDA of 2013 amounted to kPLN 9,978 and was higher by 45.0% than in the corresponding period of the previous year.

The 2013 net profit was kPLN 9,802 and was lower than in the previous year by 1.6%.

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Income statement in kPLN

	from 01/01 to 31/12/2013	from 01/01 to 31/12/2012	2013/2012
Sale revenues	85,690	85,558	100.2%
Revenue from the sale of services	66,666	64,865	102.8%
Revenue from the sale of goods and materials	19,024	20,693	91.9%
Sale costs	42,673	46,926	90.9%
Costs of services sold	24,507	28,474	86.1%
Cost of goods and materials sold	18,166	18,452	98.5%
Gross profit on sales	43,016	38,632	111.3%
Sale costs	26,353	25,618	102.9%
Administration costs	5,883	5,857	100.4%
Other operating income	135	222	60.7%
Other operating expense	2,034	1,534	132.6%
Profit on operating activities	8,881	5,845	151.9%
Financial income	3,235	6,250	51.8%
Financial costs	381	501	76.1%
Profit before tax	11,735	11,594	101.2%
Income Tax	1,933	1,631	118.5%
Net profit	9,802	9,963	98.4%

EBITDA	9,978	6,883
Amortisation and depreciation	1,098	1,038
EBITDA rate	11.6%	8.0%
Gross profit on sales	50.2%	45.2%
Profit on sales	12.6%	8.4%
Operating profit	10.4%	6.8%
Gross profit	13.7%	13.6%
Net profit	11.4%	11.6%

2.3.2 Discussion of the main items of the balance sheet

In the presented balance sheet, the balance sheet total amounts to kPLN 91,415 and is 7.6% lower than last year's total. The share of fixed assets and current assets in total assets is, respectively, 56.0% and 44.0% (2012: 51.4% and 48.6%). 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 tangible assets - increase by 18.0%, and the highest fall in the group of receivables and long-term loans - by 45.1%. The share of current assets in total assets fell from 48.6% in 2012 to 44.0% in 2013. In terms of value, the current assets fell by 16.3% from kPLN 48,094 in 2012 to kPLN 40,248 in 2013. In the current assets category, there was a significant decrease in the value of loans granted and prepayments and accruals by, respectively, 12.0% and 27.5%.

With regard to the equity and liabilities, the equity constituted 60.6% and the liabilities 39.4% (2012: 59.2% and 40.8%). The value of equity fell by 5.5%, and liabilities by 10.7%. It is worthwhile to note the considerable drop in trade liabilities from kPLN 30,477 in 2012 to kPLN 25,773 in 2013, i.e. by 15.4%. The share of these liabilities in total liabilities & equity fell from 30.8% in 2012 to 28.2% in 2013. The interest liabilities amount to kPLN 1,653 (2012: kPLN 2,424), whereby kPLN 713 is the amount of an investment loan maturing on 30 May 2014.

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Balance sheet as at 31/12/2013 in kPLN

ASSETS	31/12/2013		31/12/2012		2013/2012
	value	structure	value	structure	dynamics
Fixed assets					
Goodwill	21,298	23.3%	21,298	21.5%	100.0%
Intangible fixed assets	424	0.5%	523	0.5%	81.1%
Tangible fixed assets	2,794	3.1%	2,368	2.4%	118.0%
Interests in related parties	25,636	28.0%	25,636	25.9%	100.0%
Receivables and loans	348	0.4%	351	0.4%	99.1%
Long-term prepayments	129	0.1%	235	0.2%	54.9%
Deferred income tax assets	537	0.6%	462	0.5%	116.2%
Fixed assets	51,168	56.0%	50,873	51.4%	100.6%
Current assets					
Inventories	7,562	8.3%	7,516	7.6%	100.6%
Trade receivables and other	25,655	28.1%	26,720	27.0%	96.0%
Loans	6,582	7.2%	7,482	7.6%	88.0%
Short-term prepayments	222	0.2%	306	0.3%	72.5%
Cash and cash equivalents	226	0.2%	6,068	6.1%	3.7%
Current assets	40,248	44.0%	48,094	48.6%	83.7%
Total assets	91,415	100.0%	98,967	100.0%	92.4%
EQUITY AND LIABILITIES	31/12/2013		31/12/2012		2013/2012
Shareholder's equity	value	structure	value	structure	dynamics
<i>Equity - share of the shareholders of the</i>					
Share capital	1,022	1.1%	1,136	1.1%	90.0%
- Share	24,863	27.2%	24,863	25.1%	100.0%
Other reserve capitals	1,459	1.6%	9,286	9.4%	15.7%
Retained profits:					
- retained profit (loss)	18,223	19.9%	13,371	13.5%	136.3%
- net profit (loss) for the company's shareholders	9,802	10.7%	9,963	10.1%	98.4%
Equity - share of the shareholders of the	55,369	60.6%	58,619	59.2%	94.5%
Non-controlling shares					
Shareholder's equity	55,369	60.6%	58,619	59.2%	94.5%
Liabilities					
Long-term liabilities					
Loans, credits, other debt instruments			713	0.7%	0.0%
Deferred tax liabilities	4,047	4.4%	4,047	4.1%	100.0%
Employee benefits	40	0.04%	40	0.04%	100.0%
Long-term liabilities	4,087	4.5%	4,800	4.9%	85.1%
Short-term liabilities					
Trade liabilities and	25,773	28.2%	29,689	30.0%	86.8%
Current tax	1,570	1.7%	1,232	1.2%	127.4%
Loans, credits, other debt instruments	1,653	1.8%	1,711	1.7%	96.6%
Employee benefits	2,962	3.2%	2,901	2.9%	102.1%
Other short-term provisions			16	0.02%	0.0%
Short-term liabilities	31,959	35.0%	35,548	35.9%	89.9%
Total provisions	36,045	39.4%	40,348	40.8%	89.3%
Total equity and liabilities	91,415	100.0%	98,967	100.0%	92.4%

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 receivables by kPLN 1,068 and in liabilities by kPLN 4,000. The interest and dividend income at the level lower than achieved in the previous year. In 2013, the Company received kPLN 2,509 in dividends. As part of its investing activities, the Company noted repayment of loans it granted in the amount of kPLN 12,130 and a grant of new loans during the year for the total of kPLN 11,230. Loans are granted to related parties. The Company spent kPLN 7,941 to purchase its treasury shares to be then redeemed and to pay a dividend of kPLN 5,111.

Cash flow statement in kPLN

	from 01/01 to 31/12/2013	from 01/01 to 31/12/2012
Cash flow from operating activity		
Profit before tax	11,735	11,594
Adjustments:		
Depreciation of tangible fixed assets	924	903
Amortisation of intangible fixed	174	135
Profit (loss) on the sale of non-financial fixed assets	36	105
Interest expense	381	500
Interest and dividend income	-3,235	-6,250
Total adjustments	-1,721	-4,607
Change in inventories	-46	2,307
Change in receivables	-1,068	8,709
Change in liabilities	-4,000	-15,125
Change in provisions and prepayments	319	445
Changes in working capital	-2,658	-3,663
Taxes paid	-1,669	-437
Net cash flow from operating activity	5,686	2,887
Cash flow from investment activity		
Expenses to purchase fixed assets	-1,523	-1,024
Inflows from the sale of fixed assets	63	98
Received repayments of loans granted	12,130	5,800
Loans granted	-11,230	-3,500
Interest income	726	1,191
Dividend income	2,509	5,059
Net cash flow from investing activity	2,674	7,624
Cash flow from financial activity		
Purchase of treasury shares	-7,941	-8,842
Repayment of loans and advances	-770	-1,856
Interest paid	-381	-500
Dividends paid	-5,111	
Net cash flow from financial activity	-14 2013	-11,198
Net change in cash and cash equivalents	-5,842	-687
Cash and cash equivalents at period beginning	6,068	6,756
Cash and cash equivalents at period end	226	6,068

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's 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 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 2013 and 2012 results allows one to analyse changes in particular values.

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No.	Name of ratio	Formula	Measure	2013	2012
1 Efficiency ratio					
1.1	Cost level ratio	$\frac{\text{tax deductible cost}}{\text{sale revenue}}$		0.87	0.92
1.2	Asset turnover ratio	$\frac{\text{sale revenue}}{\text{total assets}}$		0.94	0.86
1.3	Fixed asset turnover ratio	$\frac{\text{sale revenue}}{\text{fixed assets}}$		1.67	1.68
1.4	Current asset turnover ratio	$\frac{\text{sale revenue}}{\text{current assets}}$		2.13	1.78
1.5	Inventory turnover ratio	$\frac{\text{sale revenue}}{\text{inventories}}$		11.33	11.38
1.6	Inventory cycle indicator	$\frac{\text{inventories} \times \text{number of days in the period}}{\text{sale revenue}}$	days	32.21	32.06
1.7	Receivables turnover ratio	$\frac{\text{sale revenue}}{\text{trade receivables}}$		3.30	3.16
1.8	Receivables cycle indicator	$\frac{\text{receivables} \times \text{number of days in the period}}{\text{sale revenue}}$	days	110.76	115.49
2 Effectiveness ratios					
2.1	ROS - gross	$\frac{\text{operating profit} \times 100}{\text{sale revenue}}$	%	15.67%	14.79%
2.2	ROS - net	$\frac{\text{net profit} \times 100}{\text{sale revenue}}$	%	11.44%	11.65%
2.3	Rate of return	$\frac{\text{net profit} \times 100}{\text{total assets at period end}}$	%	10.72%	10.07%
2.4	ROE	$\frac{\text{net profit} \times 100}{\text{equity}}$	%	17.70%	17.00%
3 Financial liquidity ratios					
3.1	Liquidity I	$\frac{\text{total current assets}}{\text{current liabilities}}$		1.31	1.40
3.2	Liquidity II	$\frac{\text{current assets} - \text{inventories}}{\text{current liabilities}}$		1.07	1.18
3.3	Liquidity III	$\frac{\text{cash}}{\text{current liabilities}}$		0.01	0.18
4 Capital structure ratios					
4.1	Debt ratio	$\frac{\text{total debt}}{\text{total debt}}$		0.65	0.69

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	equity		
4.2 Equity to debt ratio	$\frac{\text{equity}}{\text{total debt}}$	1.54	1.45
4.3 Asset financing structure ratio	$\frac{\text{equity}}{\text{total capital}}$	0.61	0.59
4.4. Asset financing structure ratio	$\frac{\text{bank loans}}{\text{total capital}}$	0.02	0.02
4.5. Asset financing structure ratio	$\frac{\text{liabilities to suppliers}}{\text{total capital}}$	0.26	0.29
5 <u>Share value ratios</u>			
5.1. PER	$\frac{\text{market price of shares}^*}{\text{earnings per share}}$	8.26	6.27

* market price of shares = closing rate as at 28/12/2012 - PLN 10.00 per 1 share

* market price of shares = closing rate as at 30/12/2013 - PLN 13.00 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 achieved profitability ratios at the level comparable to those of 2012.

Financial liquidity ratio

The liquidity I indicator was at the level of 1.31, which reflects a very good liquidity position 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. 3% 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 Orange Polska S.A. (formerly PTK Centertel)
- 2.5.3 Change of sale strategy of Orange Polska S.A. (including a sale network downsizing)
- 2.5.4 Increase in the significance of other service sale channels in Orange Polska S.A. (call centre, Internet)
- 2.5.5 Possibility to terminate the Agency Contract
- 2.5.6 Loss of competitive position of Orange Polska S.A.

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 Orange Polska S.A. (formerly 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 Orange Polska S.A.

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. 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 000010796. 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),

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– 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. PI 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 31/12/2013.	
				short-term	long-term
Overdraft facilities Alior Bank S.A.	variable	31/05/2014	2,000		
Overdraft facilities DnB Bank Polska S.A.	variable	30/05/2014	5,000	941	
Loan facilities Alior Bank S.A.	variable	30/05/2014	8,000	713	

The loans have variable interest rates based on the reference rate of 1M WIBOR., which as at 30/12/2013 amounted to 2.61% (28/12/2012: 4.22 %).

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 43.025 (2012: kPLN 43,025),
- registered pledge on inventories and inventory repossession contracts up to the amount of kPLN 23,400 (2012: kPLN 23,400),
- 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 31/12/2013, the following assets of the Company (in their carrying amounts) constituted collaterals and guarantees for the repayment of liabilities:

	31/12/2013	31/12/2012
Financial assets (other than receivables) - shares	13,781	13,781
Inventories	8,825	10,159
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 31/12/2013, the value of loans granted to subsidiary Euro-Phone amounted to kPLN 6.582. The loan matures on 30 June 2014. 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	Beneficiary
		31/12/2013	
T-Mobile Polska S.A.	merchant's loan	6,300	Euro-Phone Sp. z o.o.
DnD Bank Polska S.A.	guarantee line facility	4,200	Euro-Phone Sp. z o.o.
DnD Bank 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	3,280	PTI Sp. z o.o.
Polkomtel Sp. z o.o.	merchant's loan	1,200	PTI Sp. z o.o.

3.6 Description of the use of issue proceeds by the Issuer

In 2013, 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 2013, 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 2014 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 Orange 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 2013.

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 period between 1 January 2013 and 17 March 2014, there were changes in the composition of the supervisory bodies of Tell S.A. The following persons resigned from their functions as members of the Supervisory Board: Mariola Więckowska, Łukasz Kręski, Piotr Karmelita and Robert Walicki. By virtue of resolution of the Extraordinary General Meeting of Shareholders of 27 September 2013, Mr Tomasz Mazurczak and Mr Jerzy Motz and by virtue of resolution of 10 March 2014 Mr Piotr Cholewa and Mr Tomasz Słowiński were appointed Members of the Supervisory Board .

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 2013 and comparable data are presented in kPLN in the table below.

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	2013	2012
Members of the Management Board		
Rafał Stempniewicz	728	661
Stanisław Górski	331	319
Robert Krasowski	509	447
	1,568	1,428
Members of the Supervisory Board		
Jerzy Motz	4	
Robert Walicki	4	
Tomasz Mazurczak	4	
Piotr Karmelita	24	18
Łukasz Kręski	16	18
Paweł Turno	29	22
Mariola Więckowska	20	18
Adam Wojacki	19	18
	120	94
total	1,688	1,522

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 31/12/2013.

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

Rafał Maciej Stempniewicz – President of the Management Board – 94,590 shares of the nominal value of PLN 18,918.00,

Robert Tomasz Krasowski – Member of the Management Board – 4,924 shares of the nominal value of PLN 984.80,

Stanisław Jerzy Górski – Member of the Management Board – 2,319 shares of the nominal value of PLN 463.80.

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

Paweł Stanisław Turno – Chairman of the Supervisory Board – 30,000 shares of the nominal value of PLN 6,000.00.

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 31/12/2013.

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
Neo Fund 1 Sp. z o.o.*	1,157,970		1,157,970	2,315,940		2,315,940	22.66%	35.67%
V Group S.A.		529,093	529,093		529,093	529,093	10.35%	8.15%
AVIVA Investors FIO** AVIVA Investors SFIO		657,672	657,672		657,672	657,672	12.87%	10.13%
Quercus Parasolowy SFIO Quercus Absolute Return FIZ		877,179	877,179		877,179	877,179	17.16%	13.51%
Waldemar Ziomek	159,608	294,040	453,648	319,216	294,040	613,256	8.88%	9.45%
Other	63,734	1,371,551	1,435,285	127,468	1,371,551	1,499,019	28.08%	23.09%
	1,381,312	3,729,535	5,110,847	2,762,624	3,729,535	6,492,159	100.00%	100.00%

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*Shares acquired directly by Neo Investment Spółka Akcyjna in consequence of the performance of the agreement on the purchase of 100% of shares in Family Fund 3 Sp. z o.o. (currently Neo Fund 1 sp. z o.o.)

** number of shares held by Funds represented at the Ordinary General Meeting of Shareholders on 28/04/2011.

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

	2013	2012
- for the audit of the separate and consolidated financial statements	35	39
- for other attestation services, including the review of the separate and consolidated financial statements	26	29
- for tax advisory services	30	78
- for other services		
Total	91	146

In 2013, 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 2013 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 2013.

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 2013 and for the mid-year audit amounted to PLN 68.900 net.

Poznań, 17 March 2014.

Rafał Stempniewicz

Stanisław Górski

Robert Krasowski

President of the Management Board

Member of the Management Board

Member of the Management Board