

**ANNUAL FINANCIAL STATEMENTS OF TELL S.A.  
FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010**

**POZNAŃ, 7 MARCH 2011**

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

## ANNUAL STATEMENT OF FINANCIAL POSITION

	Note	2010 As at 31/12/2010	2009 As at 31/12/2009
<b>A s s e t s</b>			
Fixed assets		51,520	48,754
Intangible fixed assets	2.3	21,797	21,705
Tangible fixed assets	4	3,731	4,585
Interests in subsidiaries	7	24,349	20,585
Long-term receivables	5	753	730
Deferred income tax assets	25-26	502	632
Long-term prepayments	11	387	516
Current assets		63,124	66,946
Inventories	9	12,833	16,297
Trade receivables and other receivables	10	40,479	39,097
Financial assets	13	5,879	10,396
Prepayments	11	236	244
Cash and cash equivalents	12	3,697	912
<b>Total assets</b>		<b>114,644</b>	<b>115,700</b>
<b>E q u i t y &amp; L i a b i l i t i e s</b>			
Shareholder's equity	32	53,052	53,710
Share capital	14	1,262	1,265
Own shares	15		- 3
Supplementary capital	16	36,237	35,969
Reserve capital	17	9,902	9,902
Net profit	31	5,651	6,578
Liabilities and provisions for liabilities		61,592	61,989
Deferred income tax liabilities	25-26	3,293	2,498
Provision for retirement benefits and similar benefits	19	10	10
Other provisions	19	757	685
Long-term liabilities	20-21	4,134	4,100
Short-term liabilities	20-24	53,397	54,696
<b>Total equity &amp; liabilities</b>		<b>114,644</b>	<b>115,700</b>

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## ANNUAL COMPREHENSIVE INCOME STATEMENT

	Notes	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
Net revenues from sale		120,078	121,453
- from related parties	33	715	282
Net revenues from the sale of products	27	84,360	89,922
Net revenues from the sale of goods	27	35,718	31,530
Sale costs		74,143	70,586
- from related parties		715	282
Costs of products sold	29	39,488	40,807
Value of goods sold	29	34,655	29,779
Gross profit on sale		45,935	50,867
Sale costs	29	32,454	34,283
Administration costs	29	6,743	7,016
Other operating income	29	447	286
Other operating expense	29	2,285	1,597
Profit on operating activities		4,899	8,258
Financial income	28	3,372	873
Financial costs	28	1,408	602
Gross profit		6,864	8,529
Income tax		1,213	1,951
a) current part	25	288	1,246
b) deferred part	25-26	925	704
Net profit on continued activities		5,651	6,578
Other comprehensive income			
Other comprehensive income after taxation			
Total comprehensive income		5,651	6,578

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## ANNUAL CASH FLOW STATEMENT

	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
Cash flow from operating activities - indirect method		
Gross profit	6,864	8,529
Total adjustments	-186	- 3,609
Depreciation and amortisation, including:	1,736	2,249
Interest and share in profits (dividends)	-2,681	- 416
Profit on investment activities	-112	- 30
Change in provisions	72	285
Change in inventories	3,464	4,148
Change in receivables	-1,405	3,942
Change in short-term liabilities, excl. loans and advances	-1,547	-12,568
Change in prepayments and accruals	138	62
Paid income tax	- 411	-1,282
Other adjustments – impairment of financial assets	560	
<b>Net cash flows provided by operating activities</b>	<b>6,678</b>	<b>4,919</b>
Cash flow from investing activity		
Inflows	14,179	10,198
Disposal of intangible and tangible fixed assets	460	509
From financial assets - interest	647	501
Other investment inflows – loan repayment	13,072	9,188
Outflows	-14,186	-24,468
Acquisition of intangible and tangible fixed assets	-1,322	-782
Purchase of financial assets in related parties	-3,764	- 16,637
Other investment inflows – grant of loan	-9,100	- 7,050
<b>Net cash flows provided / (used) by investing activities</b>	<b>-7</b>	<b>- 14,270</b>
Cash flow from financial activity		
Inflows	3,066	5,440
Dividend income	2,661	
Loans	405	5,440
Outflows	-6,952	- 4,358
Purchase of treasury shares		- 832
Dividend payment	-6,310	- 3,155
Interest	-642	- 371
<b>Net cash flows provided / (used) by financing activities</b>	<b>-3,886</b>	<b>1,083</b>
Total cash flow	2,785	- 8,268
Cash at the period beginning	912	9,180
Cash at period end, including:	3,697	912
- limited use cash		

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## ANNUAL STATEMENT OF CHANGES IN EQUITY

	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
Equity at period beginning (OB)	53,710	47,721
Equity at period beginning (OB), after reconciliation of comparable data	53,710	47,721
Share capital at period beginning	1,265	1,265
Changes in share capital due to redemption of treasury shares	-3	
Share capital at period end	1,262	1,265
Treasury shares at period beginning	-3	-73
Changes in treasury shares	3	70
a) increase (due to)		-27
- purchase		-27
b) decrease (due to)	3	97
- sale		97
- redemption	3	
Treasury shares at period end	0	-3
Supplementary capital at period beginning	35,969	32,028
Changes in supplementary capital	268	3,941
a) increase (due to)		3,941
- sale of treasury shares above par value		189
- from distribution of profits	268	3,751
b) decrease (due to)		
Supplementary capital at period end	36,237	35,969
Other reserve capitals at period beginning	9,902	7,595
Change on other reserve capitals		2,307
a) increase (due to)		3,112
- sale of treasury shares above par value		3,112
- from the transfer from supplementary capital		
b) decrease due to the purchase of treasury shares		805
Other reserve capitals at period end	9,902	9,902
Retained profit at period beginning	6,578	6,906
Retained profit at period beginning	6,578	6,906
b) decrease (due to)	6,578	6,906
- from distribution of profits	6,578	6,906
Retained profit at period end	0	0
Net result	5,651	6,578
a) total comprehensive income	5,651	6,578
Equity at period end (CB)	53,052	53,710

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## SELECTED FINANCIAL DATA

SELECTED FINANCIAL DATA	in kPLN		in k EUR	
	2010 period from 01/01 to 31/12/2010	2009 period from 01/01 to 31/12/2009	2010 period from 01/01 to 31/12/2010	2009 period from 01/01 to 31/12/2009
I. Net revenues from the sale of services and goods	120,078	121,453	29,987	27,980
II. Profit on operating activities	4,899	8,258	1,223	1,902
III. Gross profit	6,864	8,529	1,714	1,965
IV. Net profit	5,651	6,578	1,411	1,515
V. Net cash flows provided / (used) by operating activities	6,678	4,919	1,668	1,133
VI. Net cash flows provided / (used) by investing activities	-7	-14,270	-2	-3,288
VII. Net cash flows provided / (used) by financing activities	-3,886	1,083	-970	249
VIII. Total net cash flows	2,785	-8,268	696	-1,905
IX. Total assets	114,644	115,700	28,948	28,163
X. Liabilities and provisions for liabilities	61,592	61,989	15,552	15,089
XI. Long-term liabilities	4,134	4,100	1,044	998
XII. Short-term liabilities	53,397	54,696	13,483	13,314
XIII. Shareholder's equity	53,052	53,710	13,396	13,074
XIV. Share capital in PLN	1,261,924.60	1,265,000	318,644	307,921
XV. Average weighted number of shares (items)	6,309,623	6,195,560	6,309,623	6,195,560
XVI. Earnings per ordinary share (in PLN/EURO)	0.90	1.06	0.22	0.24
XVII. Diluted earnings per ordinary share (in PLN/EURO)	0.90	1.06	0.22	0.24
XVIII. Number of shares (items) less treasury shares/redeemed shares	6,309,623	6,309,623	6,309,623	6,309,623
XIX. Book value per ordinary share (in PLN/EURO)	8.41	8.51	2.12	2.07
XX. Diluted book value per ordinary share (in PLN/EURO)	8.41	8.51	2.12	2.07
XXI. Declared or paid dividend per share (in PLN/EURO)				

The method of the calculation of the average PLN/EUR exchange rates in the reporting period is described in Note 2.22.

The annual financial statements was approved by the Management Board of the Company on 7 March 2011 and signed by the Management Board:

Rafał Stempniewicz

Stanisław Górski

Robert Krasowski

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President of the Management Board

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Member of the Management Board

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Member of the Management Board

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## INTRODUCTION TO THE COMPANY'S FINANCIAL STATEMENTS FOR THE PERIOD FROM 01/01/2010 TO 31/12/2010 .

### 1. GENERAL

#### 1.1. INFORMATION ABOUT THE COMPANY

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

#### 1.2. DURATION OF THE COMPANY

The duration of the Company is unlimited.

#### 1.3. PRESENTED PERIODS

The separate financial statements contain data for the period from 01 January 2010 to 31 December 2010. The comparable data are presented as at 31 December 2009 in case of the statement of financial position, for the period from 01 January 2009 to 31 December 2009 in case of the statement of comprehensive income, cash flow statement and statement of changes in equity.

#### 1.4. 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:

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.

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### 1.5. CHARTERED AUDITORS

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

### 1.6. QUOTATIONS AT THE REGULATED MARKET

#### 1. General:

**Stock Exchange:** **The Warsaw Stock Exchange**  
ul. Książęca 4  
00-498 Warszawa

**Symbol at the WSE:** TEL

**Sector at the WSE:** retail sale

**2. Depository-settlement system:** **The National Depository for Securities (KDPW)**  
ul. Książęca 4  
00-498 Warszawa

**3. Contact with investors:** Tell S.A.  
ul. Forteczna 19a  
61-362 Poznań

### 1.7. MAJOR SHAREHOLDERS

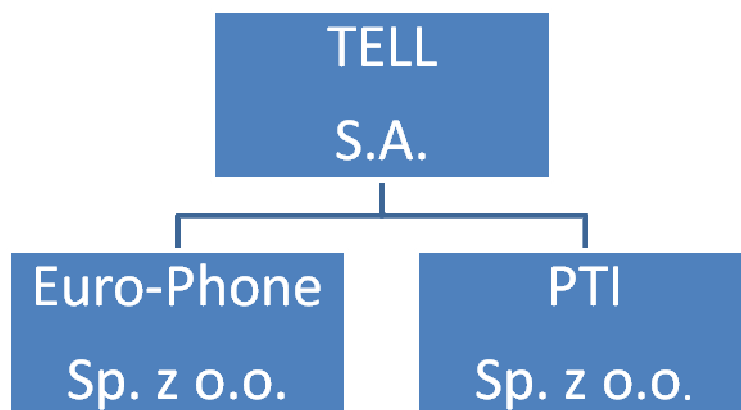
As at 31 December 2010, shareholders holding more than 5% at the General Meeting of Shareholders were as follows:

Shareholders	Number of shares	Par Value of Shares	Share capital held	Number of votes	% of votes at the General Meeting of Shareholders
BBI Capital NFI S.A.	1,429,750	285,950	22.66%	2,859,500	33.94%
Havo Sp. z o.o.	675,000	135,000	10.70%	675,000	8.01%
Rafał Stempniewicz	297,280	59,456	4.71%	472,280	5.60%
AVIVA Investors FIO	423,549	84,710	6.71%	423,549	5.03%
Quercus Parasolowy SFIO, Quercus Absolute Return FIZ	888,235	177,647	14.08%	888,235	10.54%
Total	3,713,814	742,763	58.86%	5,318,564	63.12%



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## 1.8. TELL S.A. GROUP AS AT 31 DECEMBER 2010



### Euro-Phone Sp. z o.o.

- Seat of the Company: ul. Taneczna 18c, 02-829 Warszawa,
- Basic object of business: Agents specialised in the sale of other particular products (Polish Classification of Economic Activities of 2007 - 4618Z),
- Company's legal basis: The Company was established on 19 March 1998 (Notarised deed No. A 2699/98). The registration authority is the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, KRS 0000010796. Incorporation date: 25 May 2001,
- The Company's share capital is PLN 2,550,000. In Euro-Phone Sp. z o.o., Tell S.A, holds 100% of shares.

### PTI Sp. z o.o.

- Seat of the Company: ul. Glogera 5, 31-222 Kraków,
- Basic objects of business: (Polish Classification of Economic Activities of 2007) 4618Z Agents specialised in the sale of other particular products,
- Company's legal basis: The Company was established on 12 July 2007 - Notarised deed No. A 5675/2007. The registration authority is the District Court for Krakow - Śródmieście in Krakow, 11th Commercial Division of the National Court Register, KRS 0000286046. Incorporation date: 13 August 2007,
- The Company's share capital is PLN 1,900,000. In PTI Sp. z o.o., Tell S.A, holds 100% 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 200.000. In Connex Sp. z o.o., Tell S.A, holds 100% of shares.

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

## 1.9. STATEMENT OF THE MANAGEMENT BOARD

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

These annual financial statements have been prepared in accordance with the accounting principles compliant with the International Financial Reporting Standards as endorsed by the European Union and in the scope as

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required by the regulation of the Minister of Finance of 19 February 2009 on ongoing and periodical information to be provided by issuers of securities (*Journal of Laws* No. 33, item 259, as amended). These statements cover the period from 1 January to 31 December 2010 and comparable periods.

The Management Board hereby declares that the entity authorised to audit the financial statements that audited the financial statements of the Company has been appointed in accordance with the legal regulations and that this entity as well as the chartered auditors in charge of the audit, meet the requirements allowing them to issue an impartial and independent report on the audit as per the applicable domestic laws and professional standards. In accordance with the corporate governance rules adopted by the Management Board, the chartered auditor was appointed by the Supervisory Board by virtue of the resolution of 14 May 2010 on the appointment of a chartered auditor. The Supervisory Board made the above appointment so as to guarantee full independence and objectivity of the appointment process as well as the performance of his duties by the chartered auditor.

#### **1.10. APPROVAL OF THE FINANCIAL STATEMENTS**

These annual financial statements were approved for publication by the Management Board on 07 March 2011.

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

These financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") and IFRS approved by the EU. As at the date of the approval of this statement for publication, considering the existing process of implementation of IFRS standards in the EU and the Company's operations, there are no differences between the IFRS standards that have come into effect and IFRS standards approved by the EU as regards the accounting principles applied by the Company. The IFRS comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

These separate financial statements of the Company should be analysed together with the consolidated financial statements approved for publication by the Management Board and published on the same date as the separate financial statements. This will ensure comprehensive information about the economic and financial position of the Company as at 31 December 2010 as well as the financial result for the period from 1 January to 31 December 2010 in accordance with the International Financial Reporting Standards as endorsed by the European Union.

#### **1.12. GOING CONCERN AND COMPARABILITY OF FINANCIAL STATEMENTS**

The financial statements have been prepared in accordance with the going concern principle, i.e. an assumption that the Company will continue its business for the period of 12 months after the last balance sheet date, i.e. 31 December 2010. As at the day these financial statements were signed, the Company's Management Board did not find any facts or circumstances, which would pose a threat to the going concern within the period of 12 months following the balance sheet date in consequence of any intended or mandatory liquidation or significant reduction of the present activities.

By the date of these 2010 financial statements there have occurred no events that were not but should have been recognised in the accounting books of the reporting period. Additionally, these financial statements does not comprise any significant events concerning the previous years.

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

#### **2.1. ACCOUNTING POLICIES**

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

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

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

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

a) Professional judgement  
Classification of lease contracts

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

#### b) Estimation Uncertainty

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

##### Impairment of assets

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

##### Measurement of provisions

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

##### Deferred tax assets

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

##### Fair value of financial instruments

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

##### Recognition of revenue

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

##### Depreciation & amortisation rates

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

### 2.3. INTANGIBLE FIXED ASSETS

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

##### Goodwill

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

### 2.4. TANGIBLE FIXED ASSETS

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

All fixed assets except land and fixed assets in construction are depreciated over their estimated economic useful lives on the straight line basis, with the application of the following annual depreciation rates:

- plants and machinery, vehicles and other 10-60%

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

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## 2.5. LEASE

Financial lease contracts are contracts on the basis of which all risks and all potential rewards of the ownership are transferred on the lessee.

All other lease types are treated as operating lease.

Assets used on the basis of financial lease contracts are treated equally as the Company's assets and are measured upon the lease contract inception at the lower of the fair value of the leased item and the present value of the minimum lease payments. Lease payments are split into the interest part and the principal amount so that the interest rate on the outstanding amount would be a fixed value.

Lease payments under operating lease are recognised in profit or loss on the straight-line basis over the lease term.

## 2.6. INVENTORIES

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

## 2.7. BORROWING COSTS

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

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

## 2.8. FINANCIAL INSTRUMENTS

Financial assets and liabilities are on the Company's balance sheet when the Company becomes a party to the contract.

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

## 2.9. TRADE RECEIVABLES

Trade receivables are measured at cost less impairment. In case of receivables falling due within 12 months of the balance sheet date, due to insignificant differences, they are measured at nominal value.

Provisions for receivables are set up for receivables from debtors in liquidation or bankruptcy, receivables from debtors in case a motion for their bankruptcy has been filed, receivables questioned by the debtors, receivables vindicated in court and past due receivables.

## 2.10. FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

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

## 2.11. BANK LOANS

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

## 2.12. TRADE LIABILITIES

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

## 2.13. EQUITY INSTRUMENTS

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

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#### 2.14. PROVISIONS

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

#### 2.15. COSTS OF ACQUISITION OF NEW ENTITIES

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

#### 2.16. SALE REVENUES

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

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

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

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

#### 2.17. COSTS OF FUTURE PENSION BENEFITS

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

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

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

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

#### 2.18. TAXES

The taxes comprise current tax and deferred tax.

The current tax is calculated on the basis of the tax result (taxation basis) of the given financial year. The tax profit (loss) is different from the net book profit (loss) in relation with the exclusion of taxable income and tax deductible costs of subsequent years as well as non-taxable costs and revenue. The taxes are calculated on the basis of tax rates in force in the given financial year.

The deferred tax is measured for all taxable temporary differences as at the balance sheet date between the carrying value of assets and liabilities and their taxable value.

The deferred tax liability is recognised for all taxable temporary differences and the deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the recognized deductible temporary differences can be utilised. There is no tax asset or liability when the temporary difference arises in relation with the goodwill or an initial recognition of another asset or liability in a transaction that does not influence the tax result or the book result.

The deferred tax liability is recognised for all temporary tax differences arising in consequence of investments into subsidiaries, associates and joint ventures, unless the Company is capable of controlling the moment of

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temporary difference reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

## 2.19. THE COMPANY'S SOCIAL BENEFIT FUND

The Company's Social Benefit Fund Act of 04 March 1997, as amended, stipulates that the Company's Social Benefit Fund is set up by employers employing more than 20 persons. The Company has created such Fund and makes periodical contributions thereto on the basis of a basic appropriation. The purpose of the Fund is to finance the social activities for the benefit of employees.

The cash in the Fund's bank account are set off against all liabilities to the Fund. The Fund's assets do not meet the definition of an asset and are not disclosed in the Company's balance sheet.

## 2.20. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

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

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

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

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

- for conversion of balance sheet data as at 31/12/2009, the following exchange rate was applied: EUR 1 = PLN 4.1082, in accordance with conversion table of the National Bank of Poland No. 255/A/NBP/2009 of 31/12/2009.
- for conversion of balance sheet data as at 31.12.2010, the following exchange rate was applied: EUR 1 = PLN 3.9603, in accordance with conversion table of the National Bank of Poland No. 255/A/NBP/2010 of 31/12/2010.

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

- to determine the income statement and cash flow statement data for 2009, the following exchange rate was applied: EUR 1 = PLN 4.3406, which is an arithmetical average of exchange rates announced by the National Bank of Poland as at the last day of each one of the 12 months covered by the statements, i.e.

$$\frac{4.4392 + 4.6578 + 4.7013 + 4.3838 + 4.4588 + 4.4696 + 4.1605 + 4.0998 + 4.2226 + 4.243 + 4.1431 + 4.1082}{12} = 4.3406$$

- to determine the income statement and cash flow statement data for 2010, the following exchange rate was applied: EUR 1 = PLN 4.0044, which is an arithmetical average of exchange rates announced by the National Bank of Poland as at the last day of each one of the 12 months covered by the statements, i.e.

$$\frac{4.0616 + 3.9768 + 3.8622 + 3.9020 + 4.0770 + 4.1458 + 4.008 + 4.0038 + 3.9870 + 3.9944 + 4.0734 + 3.9603}{12} = 4.0044$$

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## 2.22. CHANGES IN ACCOUNTING POLICIES

Below are presented the new IFRIC standards and interpretations published by the International Accounting Standards Board and effective for financial years beginning on or after 01 January 2010.

### IFRS 2 (Amended) "Share-based Payments"

IFRS 2 (amended) was published by the International Accounting Standards Board on 23 March 2010 and entities are obliged to apply the amendments to this standard from the first financial year after 31 December 2009.

This standard is not applied with reference to transactions in result of which an entity acquires goods as part of net assets acquired in result of a business combination as per the definition in IFRS3 Business Combinations (revised in 2008), with regard to business combinations of entities or businesses under common control as defined in IFRS 3 paragraphs B1-B4, nor with reference to the contribution of a venture when establishing joint ventures as defined in IAS 31 Interests in Joint Ventures. In relation with the above, equity instruments issued as part of a business combination in exchange for control over the acquired entity are not included in the scope of this standard. However, the scope of this standard includes equity instruments granted to entity employees (and therefore they are included in the scope of this standard).

Additionally, IFRS 3 (revised in 2008) and changes to IFRS issued in April 2009 amended paragraph 5 of IFRS 2. These changes are effective for financial years beginning on or after 1 July 2009. Earlier application is allowed. If the entity applies IFRS 3 (revised in 2008) with regard to the earlier period, the changes will also be effective for such earlier period.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 1 January 2010.

### Amendments to IFRS 2 "Share-based Payments"

Amendments to IFRS 2 "Share-based Payments" were published by the International Accounting Standards Board on 18 June 2009 and are effective for financial years beginning on or after 1 January 2010. These amendments clarify the book recognition of group cash-settled share-based payment transactions. The amendments specify the scope of IFRS 2 and govern the joint application of IFRS 2 and other standards. The amendments incorporate in this standard the issues regulated earlier in IFRIC 8 and IFRIC 11 interpretations. The Company shall start the application of this standard from financial statements for financial years beginning on or after 1 January 2010.

### IFRS 3 (amended) Business Combinations

The amended IFRS 3 was published by the International Accounting Standards Board on 10 January 2008 and is effective for financial years beginning on or after 01 July 2009. The amended standard still applies the purchase method to business combinations, however there are some material changes. For example, all payments made for the acquisition of a business should be recognised at fair value as at the acquisition date, whereby the contingent payments classified as liabilities are subject to subsequent remeasurement as profit or loss. Additionally, the amended standard contains new guidelines for the purchase method application, including the treatment of transaction costs as costs of the period in which they were incurred. Moreover, the changes made allow for the possibility of selecting the method of recognition of minority interest (non-controlling interest) either at fair value or at their proportional share in identified net assets of the acquired entity.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 1 January 2010.

### IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operation"

The amended IFRS 5 was published by the International Accounting Standards Board on 23 March 2010 and is effective for financial years beginning on or after 01 January 2010. Earlier application is allowed. Earlier application is permitted. When the entity applies this amendment with regard to an earlier period, this fact is duly disclosed.

The amendments introduced define the disclosures that are required with regard to certain non-current assets (or disposal groups) classified as held for sale or as discontinued operation.

### IFRS 8 (amended) "Operating Segments"

The amended IFRS 8 was published by the International Accounting Standards Board on 23 March 2010 and is effective for financial years beginning on or after 01 January 2010. Earlier application is allowed. When the entity applies this amendment with regard to an earlier period, this fact is duly disclosed.

The amendments include changes in disclosures related to profit or loss, assets and liabilities.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 1 January 2010.

### IAS 27 (amended) Consolidated and Separate Financial Statements

The amended IFRS 27 was published by the International Accounting Standards Board on 10 January 2008 and is effective for financial years beginning on or after 01 July 2009. This Standard requires that effects of transactions with minority interests were recognized directly in equity, provided that control over the entity is

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maintained by the existing parent. The Standard also specifies the way of recognition in case of a loss of control over a subsidiary, i.e. requires the reclassification of the remaining shares to fair value and the recognition of the difference as profit or loss.

The Company applies the amended IAS 27 prospectively to transactions with minority interest (holders of non-controlling interest) from the financial statements for financial periods beginning on or after 01 January 2010.

#### Amendments to IFRIC 9 and IAS 39 "Embedded Derivatives".

Amendments to IFRIC 9 and IAS 39 "Embedded Derivatives" were published by the International Accounting Standards Board on 12 March 2009 and are effective for financial years beginning on or after 30 June 2009.

The changes specify amendments to IFRIC 9 and IAS 39 issued in October 2008 with regard to embedded instruments. The changes specify that as part of the reclassification from a financial asset from the asset recognized at fair value through profit or loss all embedded derivatives must be measured and, if necessary, presented separately in the financial statements.

The Company has applied changes to IFRIC 9 and IAS 39 since 01 January 2010.

#### Amendments to IFRS 2009

The International Accounting Standards Board published on 16 April 2009 "Amendments to IFRS 2010", which change 12 standards. The amendments concern presentation, recognition and measurement as well as contain terminological and editing changes. Most amendments shall be effective for financial years starting on or after 01 January 2010.

#### IAS 1 "Presentation of Financial Statements"

The amended IAS 1 was published by the International Accounting Standards Board on 23 March 2010 and is effective for financial years beginning on or after 01 January 2010. Earlier application is allowed. When the entity applies this amendment with regard to an earlier period, this fact is duly disclosed.

The amendments concern the classification of liabilities as short-term liabilities.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 1 January 2010.

#### IAS 7 Cash Flow Statements

The amended IFRS 7 was published by the International Accounting Standards Board on 23 March 2010 and is effective for financial years beginning on or after 01 January 2010. Earlier application is allowed. When the entity applies this amendment with regard to an earlier period, this fact is duly disclosed.

The amendments extend the standard by information that only those expenses that result in assets recognised in the statements of financial position may be classified as investing activities.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 1 January 2010.

#### IAS 17 Leases

The amended IAS 17 was published by the International Accounting Standards Board on 23 March 2010 and is effective for financial years beginning on or after 01 January 2010. Earlier application is allowed. When the entity applies this amendment with regard to an earlier period, this fact is duly disclosed.

The amendments concern the classification of lease contracts in a situation when the contract concerns both the land and buildings.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 1 January 2010.

#### IAS 36 Impairment of Assets

The amended IAS 36 was published by the International Accounting Standards Board on 23 March 2010 and is effective for financial years beginning on or after 01 January 2010. Earlier application is allowed. When the entity applies this amendment with regard to an earlier period, this fact is duly disclosed.

The amendments concern the allocation of goodwill to cash generating units.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 1 January 2010.

#### IAS 38 (Amended) Intangible Assets

The amended IAS 38 was published by the International Accounting Standards Board on 23 March 2010 and is effective for financial years beginning on or after 01 January 2010. Earlier application is allowed. When the entity applies this amendment with regard to an earlier period, this fact is duly disclosed.

The amendments concern the recognition and measurement of intangible assets acquired in result of a business combination. The amounts recognised in relation with the intangible assets and the goodwill resulting from the business combinations in previous periods are not adjusted. If the entity applies IFRS 3 (revised in 2008) with regard to the earlier period, the changes will also be effective for such earlier period and such fact will be disclosed.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 1 January 2010.



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#### IAS 39 Financial Instruments: Recognition and Measurement

The amended IAS 39 was published by the International Accounting Standards Board on 23 March 2010 and is effective for financial years beginning on or after 01 January 2010. Earlier application is allowed. When the entity applies this amendment with regard to an earlier period, this fact is duly disclosed.

The amendments concern the scope of the standard, the qualification of items as hedged items and cash flow hedging.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 1 January 2010.

#### IFRIC 9 Reassessment of Embedded Derivatives

The amended IFRS 9 was published by the International Accounting Standards Board on 23 March 2010 and is effective for financial years beginning on or after 01 January 2010. If the entity applies IFRS 3 (revised in 2008) with regard to the earlier period, the changes will also be effective for such earlier period and such fact will be disclosed.

The amendments concern the scope of the standard. The interpretation does not apply to embedded derivatives acquired in result of:

- a) business combination (as per the definition in IFRS 3 Business combinations (revised in 2008);
- b) combination of entities or businesses under common control as defined in IFRS 3 paragraphs B1-B4 (revised in 2008)
- c) establishment of a joint venture as defined in IAS 31 Interests in Joint Ventures or their possible reassessment as at the acquisition date.

The Company shall start the application of IFRIC 9 from financial statements for financial years beginning on or after 1 January 2010.

#### IFRIC 12 Service Concession Arrangements

The IFRIC 12 interpretation was published by the International Financial Reporting Interpretations Committee on 30 November 2006 and is effective for financial years beginning on or after 29 March 2009. This interpretation provides guidance as to the application of the existing standards by entities participating in concession arrangements between the public sector and the private sector. IFRIC 12 concerns arrangements when the grantor controls or regulates what services the operator must provide using the assets, to whom and at what price.

The Company shall start the application of IFRIC 12 from financial statements for financial years beginning on or after 1 January 2010.

#### IFRIC 15 "Arrangements for the Construction of Real Estates"

The IFRIC 15 interpretation was published by the International Financial Reporting Interpretations Committee on 03 July 2008 and is effective for financial years beginning on or after 01 January 2010. The interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and whether the revenue from the construction should be recognised. Additionally, IFRIC 15 determines when the revenue from the construction should be recognized.

The Company shall start the application of IFRIC 15 from financial statements for financial years beginning on or after 1 January 2010.

#### IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

The IFRIC 16 interpretation was published by the International Financial Reporting Interpretations Committee on 03 July 2008 and is effective for financial years beginning on or after 01 July 2009. This interpretation provides guidance as to whether risk arises from the foreign currency exposure to the functional currencies of the foreign operation and the presentation currency for the needs of the parent entity's consolidated financial statements. Additionally, IFRIC 16 clarifies which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation and in particular whether the parent entity holding the net investment in a foreign operation must also hold the hedging instrument. IFRIC 16 clarifies also how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment.

The Company shall start the application of IFRIC 16 from financial statements for financial years beginning on or after 1 January 2010.

#### IFRIC 16 (amended) Hedges of a Net Investment in a Foreign Operation

The amended IFRIC 16 interpretation was published by the International Accounting Standards Board on 23 March 2010 and is effective for financial years beginning on or after 01 January 2010. An earlier application of the interpretation and amendments is allowed. If the entity applies this interpretation with regard to a period beginning before 1 October 2008 or the amendment to paragraph 14 before 1 July 2009, this fact will be disclosed.

The amendment to the interpretation concerns the possession of a hedging instrument by an entity within a group. Both a derivative and a non-derivative instrument (or a combination of derivative and non-derivative financial instruments) may be designated as a hedging instrument in a net investment in a foreign operation. The hedging

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instrument(s) may be held by any entity or entities within a group as long as the requirements of IAS 39 paragraph 88 concerning the formal designation, documentation and effectiveness in hedging net investments are met. In particular the hedging strategy of a group should be clearly documented due to the possibility of a different designation at various group levels.

The Company shall start the application of IFRIC 16 from financial statements for financial years beginning on or after 1 January 2010.

#### IFRIC 17 "Distributions of Non-cash Assets to Owners"

The IFRIC 17 interpretation was published by the International Financial Reporting Interpretations Committee on 27 November 2008 and is effective for financial years beginning on or after 01 July 2009. The interpretation provides guidance concerning the moment of dividend recognition, the dividend measurement and the recognition of difference between the dividend paid and the carrying amount of net assets distributed.

The Company shall start the application of IFRIC 17 from financial statements for financial years beginning on or after 1 January 2010.

#### IFRIC 18 "Transfers of Assets from Customers"

The IFRIC 18 interpretation was published by the International Financial Reporting Interpretations Committee on 29 January 2009 and is effective for financial years beginning on or after 01 July 2009. The interpretation provides guidance concerning the recognition of assets transferred from customers, namely situations when the definition of an asset is met, the identification of separately identifiable services (services in exchange for the transferred asset), the recognition of revenue and recognition of cash transferred from customers.

The Company shall start the application of IFRIC 18 from financial statements for financial years beginning on or after 1 January 2010.

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

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

#### Amendments to IFRS 1

On 23 July 2009, the International Accounting Standards Board (IASB) published amendments to the International Financial Reporting Standard 1 (IFRS 1) "First-time Adoption of International Financial Reporting Standards", hereinafter referred to "amendments to IFRS 1". In accordance with the amendments to IFRS 1, entities from the oil and gas sector adopting IFRS may apply with reference to oil and gas assets the carrying amounts determined in accordance with their old GAAP. Entities electing this exemption should be required to measure their liabilities related to the withdrawal from mining, reclamation and similar liabilities with reference to oil and gas assets as per IAS 37 Provisions, Contingent Liabilities and Contingent Assets and that they accounted for the given liability in retained profits. The amendments to IFRS 1 also concern the determination of whether an arrangement contains a lease.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 01 January 2011.

#### Amendments to IFRS 2 "Share-based Payments"

On 18 June 2009, the International Accounting Standards Board (IASB) published amendments to the International Financial Reporting Standard 2 (IFRS 2) Share-based Payments. The amendments to IFRS 2 clarify the recognition of share-based payment transactions when the payment to the goods or service provider is made in cash and the liability is incurred by another entity within a group (share-based payment transaction settled in cash within a group).

The Company shall start the application of this standard from financial statements for financial years beginning on or after 01 January 2011.

#### Amendments to IFRS 7

On 28 January 2010, the International Accounting Standards Board (IASB) published a document entitled *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*, containing an amendment to the International Financial Reporting Standard 1 (IFRS 1). In view of the fact that first time adopters of IFRSs do not have a possibility to use the exemption from the provision of enhanced disclosures about fair value measurements and liquidity risk as per IFRS 7 for comparative periods ended before 31 December 2009, the objective of the amendment to IFRS 1 is also to provide such optional exemption also to such entities. As per the amendments to IFRS 7, an entity does not have to provide disclosures in case of:

- annual periods or mid-annual periods, including the statements of financial position presented during a comparative annual period ended before 31 December 2009, or
- statements of financial position presented at the beginning of the earliest comparative period by 31 December 2009.

Earlier application is permitted. When the entity applies this amendment with regard to an earlier period, this fact is duly disclosed.

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The Company shall start the application of this standard from financial statements for financial years beginning on or after 01 January 2011.

#### Amendments to IFRS 8 Operating Segments

The amendments to IFRS 8 "Operating Segments" were published in 2009 by the International Accounting Standards Board (IASB). The amendments to IFRS 8 concern the disclosure of information on how dependent an entity is on its main customers. If the revenues from transactions with an external single customer constitute 10 per cent or more of the total revenue of an entity, the entity will disclose this fact, the total amount of revenue earned from each such customer and will indicate the segment or segments where such revenue was generated. The entity is not obliged to disclose the identity of the client nor determine the amount of revenue each of such segments generates in relation with this client. It is, however, necessary to determine whether a government (national, state, provincial, territorial, local or foreign, including government agencies or similar local, domestic or international bodies) and entities which, according to the knowledge of the reporting entity are under the control of such government, are considered as one customer. When determining this, the reporting entity accounts for the scope of economic integration between such entities. The disclosure of information about related parties (revised in 2009) amends paragraph 34 with regard to annual periods beginning on or after 01 January 2011.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 01 January 2011.

#### IAS 24 Related Party Disclosures

On 04 November 2009, the International Accounting Standards Board (IASB) published the revised International Accounting Standard 24 (IAS 24) Related Party Disclosures. The objective of the amendments introduced in the revised IAS 24 is the simplification of the definition of a related party and elimination of certain internal incoherences, as well as the exemption of government-related entities from certain disclosure requirements concerning related party transactions. The entity applies this standard retrospectively with regard to annual periods beginning on or after 01 January 2011. Earlier application – of the entire standard or the partial exemption concerning government-related entities - is permitted. If the entity applies the entire standard or only the partial exemption with regard to a period beginning before 01 January 2011, this fact is duly disclosed.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 01 January 2011.

#### Amendments to IFRIC 14 Prepayments for Minimum Funding Requirements

In November 2009, the International Accounting Standards Board amended the IFRIC 14 interpretation so as to correct the unintended consequences resulting from the treatment of future contribution prepayments in certain circumstances when there are minimum funding requirements. The entity applies these amendments to annual periods beginning on or after 01 January 2011. Earlier application is permitted. In case of an application of these amendments to an earlier period, this fact is duly disclosed.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 01 January 2011.

#### IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

On 26 November 2009, the International Financial Reporting Interpretations Committee (IFRIC) published IFRIC 19 interpretation "Extinguishing Financial Liabilities with Equity Instruments", hereinafter referred to as "IFRIC 19". The objective of IFRIC 19 is to provide guidance concerning the recognition by the debtor of equity instruments issued by him in consequence of a renegotiation of the financial liability conditions in order to extinguish all or part of such liability. The interpretation concerns the recognition of transactions by entities in case of renegotiation of financial liability conditions, in consequence of which the entity issues equity instruments for the creditor in order to settle all or part of its financial liability. It does not address the accounting by the creditor (lender). The entity applies these amendments to annual periods beginning on or after 01 July 2010. Earlier application is permitted. In case of an application of this interpretation to a period beginning before 01 July 2010, the entity duly discloses this fact. The entity applies the amendment to accounting policies as per IAS 8 from the beginning of the earliest presented comparable period.

The Company shall start the application of this standard from financial statements for financial years beginning on or after 01 January 2011.

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

### 3. SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS

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**NOTE NO. 1**  
**OPERATING SEGMENTS**

The Company does not identify operating segments, because it carries out a uniform economic activity related to mobile phones.

The Company conducts its operating activities on a single geographic area, i.e. the territory of Poland.

Subject to the trade secrecy clause, no information concerning the value of sales to a particular customers, whose volume exceeds 10% of total sales, has been presented.

**NOTE NO. 2**  
**INTANGIBLE ASSETS**

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

Table No. 1

GROSS INTANGIBLE ASSETS	2010 As at 31/12/2010	2009 As at 31/12/2009
a) goodwill	21,298	21,298
b) acquired concessions, patents, licences and similar assets, including:	2,560	2,542
- software	2,560	2,542
c) other intangible assets	5,051	4,781
Total intangible assets	28,910	28,622

Table No. 2

INTANGIBLE ASSETS IN THE PERIOD FROM 01/01 TO 31/12/2009				
Details	Software (licences)	Other (lease rights)	Goodwill	Total
Gross value - as at 01/01/2009	2,487	4,781	21,298	28,567
Increase in gross value (due to):	76			76
- acquisition	76			76
Decrease in gross value (due to):	21			21
- sale	5			5
- liquidation	16			16
Gross value - as at 31/12/2009	2,542	4,781	21,298	28,622
Amortisation - as at 01/01/2009	2,276	3,816		6,092
Increase in amortisation (due to):	86	759		846
- amortisation charges	86	759		846
Decrease in amortisation (due to):	21			21
- sale	5			5
- liquidation	16			16
Amortisation - as at 31/12/2009	2,342	4,575		6,917
Net value - as at 01/01/2009	211	966	21,298	22,475
Net value - as at 31/12/2009	201	206	21,298	21,705

Table No. 3

INTANGIBLE ASSETS IN THE PERIOD FROM 01/01 TO 31/12/2010				
Details	Software (licences)	Other (lease rights)	Goodwill	Total
Gross value - as at 01/01/2010	2,542	4,781	21,298	28,622
Increase in gross value (due to):	18	270		288
- acquisition	18	270		288
Decrease in gross value (due to):				
Gross value - internal transfers				

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Gross value - as at 31/12/2010	2,560	5,051	21,298	28,910
Amortisation - as at 01/01/2010	2,342	4,575		6,917
Increase in amortisation (due to):	79	117		196
- amortisation charges	79	117		196
Decrease in amortisation (due to):				
Amortisation - as at 31/12/2010	2,421	4,692		7,113
Net value - as at 01/01/2010	201	206	21,298	21,705
Net value - as at 31/12/2010	139	359	21,298	21,797

The Company uses intangible assets it purchased.

The useful life is specified and amounts to, respectively:

- software (licences) 2 years
- Maxebiznes financial & accounting programme 5 years
- cost of acquisition of lease rights (other assets) 5 years

The Company does not amortise the goodwill, but it carries out tests for its impairment.

The intangible assets are amortised over their useful life.

### NOTE NO. 3

#### GOODWILL

##### Taurus

In 2006, the Company acquired an organised business of Taurus Sp. z o.o. comprising a network of thirteen selling outlets, which allowed it to carry out economic activities consisting in the provision of services to PTK Centertel Sp. z o.o. The transaction was closed on 31 August 2006. The balance sheet goodwill as at 31 December 2006 amounted to kPLN 1,202.

As at the take-over date, the goodwill was recognised as a asset that will bring the Company economic benefits in subsequent periods.

The acquiring company measured the merger cost as the total of the fair value of acquired assets plus all costs that could be directly allocated to the merger.

The merger costs amounted to kPLN 113. The value of assets acquired in result of the merger amounted to kPLN 121.

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

##### Goodwill impairment test

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

The carrying amount of the goodwill in PLN as at:

31/12/2010	31/12/2009
PLN 1,202,156.25	PLN 1,202,156.25

Cash generating unit.

The recoverable amount of a cash generating unit was established on the basis of the value in use calculated on the basis of the cash flow forecasts comprising financial budgets for 5 years. The cash flow forecasts assumed a discount rate of 13.5% and the flows exceeding the five-year long period are estimated without any potential growth assumed.

Key assumptions used for the calculation of the value in use

The estimation of the value in use of a cash generating unit is sensitive to the following variables:

- cash flows;
- discount rate;
- market share in a budget year;
- growth rate applied when estimating cash flows outside the scope of budgeted periods.

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

Discount rate – reflects the estimation of risk typical for Tell S.A. made by the management. This is an indication used by the management in order to estimate the operational effectiveness (results) and future investment proposals.

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

The discount rate and the growth rate of future cash flows assumed for the determination of the recoverable amount was expressed in real values, i.e. disregarding the inflation. The cash flow and the discount rate are compliant with the IAS 36 methodology, i.e. they do not include the income tax paid by the Company. Had the tax effect been accounted for in the discount rate, it would amount to 10.92%.

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

Estimated growth rate - not assumed.

Sensibility to changes of assumptions

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

### Havo

In 2007, Tell S.A. acquired an organised business of Havo Sp. z o.o. by contract of 20 November 2006.

The organised business was finally taken over on 01 February 2007, when all conditions precedent agreed between the parties had been met.

The take-over concerned 105 PTK Centertel Sp. z o.o. service distribution outlets, a sale structure with business consultants, comprising approx. 40 sellers active outside the distribution outlets, receivables from future commissions. The contract contained the Buyer's obligation to adopt a resolution on the issue of 135,000 new shares and offering them to the Seller in exchange for a cash contribution. The total agreed selling price was kPLN 20,175, whereby part of it was paid by a transfer and part was set-off with the buyer's amounts due from the payment of a cash contribution in exchange for shares.

The acquiring company measured the merger cost as the total of the fair value of acquired assets plus all costs that could be directly allocated to the merger.

In relation with the adopted way of qualification of revenue, the total amount of expenses to acquire the organised business was decreased by the value of tangible fixed assets taken over, and the remaining part was recognised as goodwill. It was assumed that goodwill constituted future economic benefits from assets that cannot be separately identified or recognised.

The merger costs amounted to kPLN 689. The value of assets acquired in result of the merger amounted to kPLN 768.

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

### Goodwill impairment test

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

The carrying amount of the goodwill in PLN as at:

31/12/2010	31/12/2009
PLN 21,096,079.04	PLN 21,096,079.04

### Cash generating unit

The recoverable amount of a cash generating unit was established on the basis of the value in use calculated on the basis of the cash flow forecasts comprising financial budgets for 5 years. The cash flow forecasts assumed a discount rate of 13.5% and the flows exceeding the five-year long period are estimated without any potential growth assumed.

Key assumptions used for the calculation of the value in use

The estimation of the value in use of a cash generating unit is sensitive to the following variables:

- cash flows;
- discount rate;
- market share in a budget year;
- growth rate applied when estimating cash flows outside the scope of budgeted periods.

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

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Discount rate – reflects the estimation of risk typical for Tell S.A. made by the management. This is an indication used by the management in order to estimate the operational effectiveness (results) and future investment proposals.

The discount rate and the growth rate of future cash flows assumed for the determination of the recoverable amount was expressed in real values, i.e. disregarding the inflation. The cash flow and the discount rate are compliant with the IAS 36 methodology, i.e. they do not include the income tax paid by the Company. Had the tax effect been accounted for in the discount rate, it would amount to 10.92%.

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

Estimated growth rate - not assumed.

Sensitivity to changes of assumptions

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

#### NOTE NO. 4 TANGIBLE FIXED ASSETS

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

Table No. 4

GROSS TANGIBLE FIXED ASSETS	2010 As at 31/12/2010	2009 As at 31/12/2009
a) fixed assets, including:	10,460	10,606
- plants and machinery	2,573	2,544
- vehicles	1,429	1,833
- other fixed assets	6,459	6,230
b) fixed assets in construction		17
c) advances for fixed assets in construction		
Total tangible fixed assets	10,460	10,624

Table No. 5

TANGIBLE FIXED ASSETS IN THE PERIOD FROM 01/01 TO 31/12/2009					
Details	Land	Plants and machinery	Vehicles	Other fixed assets	Total
Gross value - as at 01/01/2009	45	1,987	1,701	7,745	11,478
Increase in gross value (due to):		784	389	634	1,806
- acquisition		784	389	634	1,806
Decrease in gross value (due to):	45	227	258	2,149	2,678
- sale	45	40	258	672	1,015
- liquidation		186		1,476	1,662
Gross value - as at 31/12/2009		2,544	1,833	6,230	10,606
Amortisation - as at 01/01/2009		1,664	677	4,153	6,494
Increase in amortisation (due to):		177	385	841	1,403
- amortisation charges		177	385	841	1,403
Decrease in amortisation (due to):		223	182	1,454	1,859
- sale		40	182	236	458
- liquidation		184		1,218	1,401
Amortisation - as at 31/12/2009		1,618	880	3,540	6,039
Net value - as at 01/01/2009	45	323	1,024	3,592	4,984
Net value - as at 31/12/2009		926	952	2,690	4,568

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 6

TANGIBLE FIXED ASSETS IN THE PERIOD FROM 01/01 TO 31/12/2010				
Details	Plants and machinery	Vehicles	Other fixed assets	Total
Gross value - as at 01/01/2010	2,544	1,833	6,230	10,606
Increase in gross value (due to):	95	472	485	1,052
- acquisition	95	472	485	1,052
Decrease in gross value (due to):	66	876	256	1,199
- sale	36	833	241	1,110
- liquidation	30	44	15	89
Gross value - internal transfers				
Gross value - as at 31/12/2010	2,573	1,429	6,459	10,460
Amortisation - as at 01/01/2010	1,618	880	3,540	6,039
Increase in amortisation (due to):	497	333	709	1,539
- amortisation charges	497	333	709	1,539
Decrease in amortisation (due to):	64	588	198	849
- sale	34	583	184	801
- liquidation	30	5	14	48
Amortisation - as at 31/12/2010	2,051	626	4,052	6,729
Net value - as at 01/01/2010	926	952	2,690	4,568
Net value - as at 31/12/2010	521	803	2,407	3,731

Table No. 7

BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	2010 As at 31/12/2010	2009 As at 31/12/2009
a) own	10,460	10,624
b) used on the basis of a lease, rental or similar contract, including:		
Total gross balance sheet fixed assets	10,460	10,624

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

Adopted useful lives:

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

The depreciable tangible assets are depreciated over their useful life.

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

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

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

Table No. 8

GROSS LONG-TERM RECEIVABLES	2010 As at 31/12/2011	2009 As at 31/12/2009
a) from related parties		
b) from other parties – deposits	753	730
Total net short-term receivables	753	730
c) impairment charges		
Total gross short-term receivables	753	730



Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

**NOTE NO. 6  
INVESTMENT PROPERTIES**

Not present in the Company.

**NOTE NO. 7  
INVESTMENTS IN SUBSIDIARIES**

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

Table No. 9

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

Table No. 10

LONG-TERM FINANCIAL ASSETS	2010 As at 31/12/2010	2009 As at 31/12/2009
a) interests in subsidiaries	24,349	20,585
- Euro-Phone Sp. z o.o.	11,025	9,257
- PTI Sp. z o.o.	13,324	11,328
Total long-term financial assets	24,349	20,585

Table No. 11

CHANGE IN LONG-TERM FINANCIAL ASSETS - INTERESTS	2010 As at 31/12/2010	2009 As at 31/12/2009
a) as at period beginning	20,585	550
- ETI Sp. z o.o.		200
- PTI Sp. z o.o.	11,328	200
- Euro-Phone Sp. z o.o.	9,257	
- Connex Sp. z o.o.		150
b) increase (due to)	3,764	20,185
- acquisition of shares in Impol Sp. z o.o.		11,128
- acquisition of shares in Euro-Phone Sp. z o.o.		9,057
- additional payment of the price for shares in Impol Sp. z o.o.	1,000	

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

- increase of the share capital of Euro-Phone Sp. z o.o.	996	
- increase of the share capital of PTI Sp. z o.o.	1,768	
c) decrease (due to)		150
- impairment of shares in Euro-Phone Sp. z o.o.		150
a) as at period end	24,349	20,585
- Euro-Phone Sp. z o.o.	11,025	9,257
- PTI Sp. z o.o.	13,324	11,328

The contract for the sale of shares in Impol Sp. z o.o. (purchased in 2009) stipulated that the agreed share selling price shall be increased depending on the commission received by Impol Sp. z o.o. from Polkomtel S.A. on the basis of agency contract of 22 December 2004, provided that from the share selling date and 28 February 2010, the commission received from Polkomtel S.A. would be higher than the base amount, i.e. PLN 11.514.680. The total price increase could not, as per the detailed contract provisions, exceed the amount of PLN 1,000,000. After commission settlement, Tell S.A. was obliged to make an additional payment of PLN 1,000,000. The price was paid on 11 May 2010. In result of this transaction, the value of shares in subsidiaries was increased by kPLN 1,000.

The share value also rose in relation with the take-over of new shares in Euro-Phone Sp. z o.o. and PTI Sp. z o.o. by, respectively, kPLN 996 and kPLN 1,768.

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

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

**NOTE NO. 9**  
**INVENTORIES**

Information on inventories is presented in table 12.

Table No. 12

INVENTORIES	2010 As at 31/12/2010	2009 As at 31/12/2009
a) goods	13,388	17,067
Total gross inventories	13,388	17,067
b) impairment charges	556	770
Total net inventories	12,833	16,297

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

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

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

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 13

SHORT-TERM RECEIVABLES	2010 As at 31/12/2010	2009 As at 31/12/2009
a) trade receivables from related parties	25	120
b) receivables from other parties	40,453	38,977
- trade receivables falling due within 12 months	40,344	38,771
- VAT receivables	70	
- other	39	206
Total net short-term receivables	40,479	39,097
c) impairment charges	1,989	750
Total gross short-term receivables	42,468	39,847

Table No. 14

CHANGE IN IMPAIRMENT OF SHORT-TERM RECEIVABLES	2010 As at 31/12/2010	2009 As at 31/12/2009
As at period beginning	750	444
a) increase (due to)	1,242	311
- provisions for impaired trade receivables from other parties	1,242	311
b) decrease (due to)	4	5
- reversal of provisions for impaired trade receivables from other parties	4	5
Provisions for short-term receivables as at period end	1,989	750

Table No. 15

SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE) GROSS	2010 As at 31/12/2010	2009 As at 31/12/2009
a) in PLN	42,468	39,847
b) in foreign currencies (as per currency and after conversion into PLN)		
Total short-term receivables	42,468	39,847

Trade receivables do not bear interest and usually have a 21-day maturity in case of wholesalers, in case of retail sale - the payment is made in cash. The Company has in place a policy of selling only to verified wholesale customers. Therefore, there is no additional credit risk, higher than the level determined by the provision for bad receivables.

Past-due amounts are presented in the balance sheet in net values. The carrying amount of receivables corresponds to their fair value.

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

Information on prepayments is presented in table 16.

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 16

PREPAYMENTS	2010 As at 31/12/2010	2009 As at 31/12/2009
a) Long-term prepayments, including:	387	516
- rental fee	387	516
a) Short-term prepayments, including:	236	244
- property insurance costs	101	113
- rental fee	129	129
- other costs	6	2

**NOTE NO. 12  
CASH AND CASH EQUIVALENTS**

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

Table No. 17

CASH AND CASH EQUIVALENTS	2010 As at 31/12/2010	2009 As at 31/12/2009
Cash in hand	238	353
Cash at bank (including):	3,459	559
- Bank DnB NORD Polska S.A.	1,643	477
- BZ WBK S.A.		82
- Alior Bank S.A.	1,816	
Total cash	3,697	912

Cash comprises cash in hand and cash at banks.

The credit risk related to liquid funds is limited, because the other transaction parties are banks having high credit quality class.

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

Information on other financial assets is presented in table 18.

Table No. 18

OTHER SHORT-TERM FINANCIAL ASSETS	2010 As at 31/12/2010	2009 As at 31/12/2009
a) in related parties – loans granted	6,439	9,970
- Connex Sp. z o.o.	560	559
- PTI Sp. z o.o.	817	936
- Euro-Phone Sp. z o.o.	5,062	8,475
b) significant investor - loans granted		426
- BBI Capital NFI S.A.		426
Total gross other short-term financial assets	6,439	10,396
c) impairment of loans to Connex Sp. z o.o.	560	
Total net other short-term financial assets	5,879	10,396

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 2% to 4%.

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

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

#### NOTE NO. 14

##### SHARE CAPITAL

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

Table No. 19

Shareholder	Number of registered shares	Number of bearer shares	Total shares	Number of votes per registered shares	Number of votes per bearer shares	Total votes	% of share capital	% of votes
BBI Capital NFI S.A.	1,429,750		1,429,750	2,859,500		2,859,500	22.66%	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%

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.

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

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

The nominal value of each share is PLN 0.20.

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

#### NOTE NO. 15

##### TREASURY SHARES

Information on treasury shares is presented in table 20.

Table No. 20

VALUE OF TREASURY SHARES	2010 As at 31/12/2010	2009 As at 31/12/2009
As at period beginning	3	73
a) shares purchased during the period		27
a) shares sold during the period		- 97
c) shares redeemed	3	
As at period end, total	0	3

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

#### NOTE NO. 16

##### SUPPLEMENTARY CAPITAL

Information on supplementary capital is presented in table 21.

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 21

VALUE OF SUPPLEMENTARY CAPITAL	2010 As at 31/12/2010	2009 As at 31/12/2009
a) share premium	24,863	24,863
b) established in accordance with the statutes/articles of association above the statutory (minimum) value	11,373	11,105
Total supplementary capital	36,237	35,969

The supplementary capital is created from share premium. Additionally, the supplementary capital is created from the appropriation of profits generated by the company in previous years.

The value of the supplementary capital rose by kPLN 268 due to the distribution of profits for 2009. The remaining part of net profit was used to pay dividends.

#### NOTE NO. 17

##### RESERVE CAPITAL

Information on reserve capitals is presented in table 22.

Table No. 22

VALUE OF RESERVE CAPITAL	2010 As at 31/12/2010	2009 As at 31/12/2009
Reserve capital at period beginning	9,902	7,595
a) from the transfer from supplementary capital		
b) cost of purchase of treasury shares above par value		- 805
b) sale of treasury shares above par value		3,112
Total reserve capitals	9,902	9,902

#### NOTE NO. 18

##### INFORMATION ON THE DIVIDENDS PAID (OR DECLARED), IN TOTAL AND AS DIVIDED PER SHARE, WITH A BREAKDOWN INTO ORDINARY AND PREFERENTIAL SHARES.

The General Meeting of Shareholders decided to distribute the net profit disclosed in the 2009 financial statements in an amount of PLN 6,577,711.08 as follows:

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

The dividend day was determined to be 14 May 2010, and the dividend payment date - 31 May 2010.

The total value of dividend paid was PLN 6,309,623.00.

#### NOTE NO. 19

##### PROVISIONS

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

Table No. 23

CHANGE IN LONG-TERM PROVISION FOR RETIREMENT BENEFITS AND SIMILAR BENEFITS (TITLES)	2010 As at 31/12/2010	2009 As at 31/12/2009
a) as at period beginning	10	10
- provision for retirement benefits	10	10
b) increase (due to)		
c) utilisation (due to)		
d) write-back (due to)		
a) as at period end	10	10
- provision for retirement benefits	10	10

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 24

CHANGE IN OTHER SHORT-TERM PROVISIONS (TITLES)	2010 As at 31/12/2010	2009 As at 31/12/2009
a) As at period beginning, per title:	685	400
provision for accrued holidays	246	200
provision for payroll costs	400	150
provision for financial statements audit costs	39	50
b) increase (due to)	511	485
provision for payroll costs	300	400
provision for financial statements audit cost	40	39
provision for accrued holidays	171	46
c) utilisation (due to)	439	200
payment of salaries/wages	400	150
payment for financial statement audit	39	50
a) As at period end, per title:	757	685
provision for payroll costs	300	400
provision for financial statements audit cost	40	39
provision for accrued holidays	417	246

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

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

Table No. 25

LONG-TERM LIABILITIES	2010 As at 31/12/2010	2009 As at 31/12/2009
a) to other parties	4,134	4,100
- loans sanctioned by Alior Bank Polska S.A.	4,134	4,100
Total long-term liabilities	4,134	4,100

Table No. 26

LONG-TERM LIABILITIES, WITH MATURITIES FALLING DUE AFTER THE BALANCE SHEET DATE	2010 As at 31/12/2010	2009 As at 31/12/2009
a) above 1 year to 3 years	4,134	3,600
a) above 3 years to 5 years		500
Total long-term liabilities	4,134	4,100

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 27

SHORT-TERM LIABILITIES	2010 As at 31/12/2010	2009 As at 31/12/2009
a) to related parties	1	
- trade liabilities falling due within 12 months	1	
b) to other parties	53,396	54,696
- loans and advances, including:	1,711	1,340
long-term loans falling due within 12 months	1,711	1,200
- trade liabilities falling due within 12 months	48,179	49,257
- tax, customs, social insurance and other liabilities:	2,149	2,758
including CIT liabilities	255	378
- payroll	1,054	1,070
- other	303	270
Total short-term liabilities	53,397	54,696

Table No. 28

SHORT-TERM LIABILITIES (CURRENCY STRUCTURE)	2010 As at 31/12/2010	2009 As at 31/12/2009
a) in PLN	53,397	54,696
b) in foreign currencies (as per currency and after conversion into PLN)		
Total short-term liabilities	53,397	54,696

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

#### NOTE NO. 21 LOANS AND ADVANCES

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

Table No. 29

LONG-TERM LOAN LIABILITIES TELL S.A.					
Name of company	Registered office	Loan amount per contract	Loan amount outstanding as at	Interest terms	Repayment date
			31/12/2009		
ALIOR BANK S.A.	Warszawa	6,000	5,300	WIBOR 1M +bank margin	30/05/2014
			4,100		

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.



Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 30

LONG-TERM LOAN LIABILITIES TELL S.A.					
Name of company	Registered office	Loan amount per contract	Loan amount outstanding as at	Interest terms	Repayment date
			31/12/2009		
ALIOR BANK S.A.	Warszawa	2,000	0	WIBOR 1M +bank margin	30/05/2014
			1,745		

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.

Table No. 31

SHORT-TERM LOAN LIABILITIES TELL S.A.					
Name of company	Registered office	Loan amount per contract	Loan amount outstanding as at	Interest terms	Repayment date
			31/12/2009		
BANK DnB NORD POLSKA S.A.	Warszawa	5,000	0	WIBOR 1M +bank margin	30/04/2011
			0		
ALIOR BANK S.A.	Warszawa	2,000	140	WIBOR 1M + bank margin	22/03/2011
			0		

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.

**NOTE NO. 22  
OPERATING LEASE AND FINANCIAL LEASE CONTRACT LIABILITIES**

As at the balance sheet date, the Company is not a party to any lease contract.

**NOTE NO. 23  
CONTINGENT LIABILITIES**

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 32

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.

**NOTE NO. 24**

**LIABILITIES OF THE COMPANY'S SOCIAL BENEFIT FUND**

The Company's Social Benefit Fund Act of 04 March 1997, as amended, stipulates that the Company's Social Benefit Fund is set up by employers employing more than 20 persons. The Company has created such Fund and makes periodical contributions thereto on the basis of a basic appropriation. The purpose of the Fund is to finance the social activities for the benefit of employees.

The cash in the Fund's bank account are set off in the balance sheet against all liabilities to the Fund.

**NOTE NO. 25**

**INCOME TAX**

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

Table No. 33

CURRENT INCOME TAX	2010 As at 31/12/2010	2009 As at 31/12/2009
1. Gross profit	6,864	8,529
2. Difference between the gross profit and the base for income tax (titles)	- 5,331	- 1,968
- non-taxable revenues and revenues exempt from taxation	- 3,197	- 536
- tax revenues that are not book revenues	305	439
- non-tax deductible costs	1,160	2,074
- transitory non-tax deductible costs	2,385	2,255
- tax costs that are not book costs	- 5,984	- 6,201
3. Tax base	1,532	6,560
4. Income deductibles - donations	16	
5. Income tax base	1,516	6,560
6. Income tax at 19%	288	1,246

Table No. 34

CURRENT INCOME TAX RECOGNISED AS PROFIT OR LOSS	2010 As at 31/12/2010	2009 As at 31/12/2009
- recognised as profit or loss	288	1,246
- recognised as equity		
Total current income tax	288	1,246

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 35

DEFERRED INCOME TAX RECOGNISED AS PROFIT OR LOSS:	2010 As at 31/12/2010	2009 As at 31/12/2009
- reversal of income tax liability	75	192
- set up of an income tax asset	198	385
- set up of an income tax liability	870	911
- reversal of an income tax asset	328	370
Total deferred income tax	925	704

**NOTE NO. 26**  
**DEFERRED INCOME TAX**

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

Table No. 36

CHANGE IN DEFERRED TAX ASSETS	2010 As at 31/12/2010	2009 As at 31/12/2009
1. Deferred income tax assets as at period beginning, including:	632	617
a) recognised as profit or loss	632	617
- provision for holidays and retirement benefits	49	40
- salaries and wages	82	274
- social insurance contributions payable by the employer	49	95
- other provisions for costs	163	38
- impairment of inventories	146	86
- impairment of receivables	143	84
2. Increases	198	385
a) recognised as financial profit or loss in relation with deductible temporary difference (due to)	198	385
- provision for holidays and retirement benefits	32	9
- salaries and wages	59	6
- social insurance contributions payable by the employer	48	49
- other provisions for costs	59	201
- impairment of inventories		60
- impairment of receivables		59
3. Decreases	328	370
a) recognised as financial profit or loss in relation with deductible temporary difference (due to)	328	370
- salaries and wages	82	274
- social insurance contributions payable by the employer	49	95
- other provisions for costs	156	
- impairment of inventories	41	
- impairment of receivables		1
4. Total deferred income tax assets as at period end, including:	502	632
a) recognised as profit or loss	502	632
- provision for holidays and retirement benefits	81	49
- salaries and wages	59	6
- social insurance contributions payable by the employer	48	49

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

- other provisions for costs	66	239
- impairment of inventories	106	146
- impairment of receivables	143	143

Table No. 37

CHANGE IN DEFERRED TAX LIABILITIES	2010 As at 31/12/2010	2009 As at 31/12/2009
1. Deferred income tax liabilities as at period beginning, including:	2,498	1,779
a) recognised as financial profit or loss due to temporary differences	2,498	1,779
- amortisation	39	183
- loan interest	151	96
- goodwill	2,308	1,499
2. Increases	870	911
a) recognised as financial profit or loss in relation with taxable temporary difference (due to)	870	911
- interest	61	102
- goodwill	809	809
3. Decreases	75	192
a) recognised as financial profit or loss in relation with taxable temporary differences (due to)	75	192
- reversal of temporary differences - amortisation and depreciation	22	144
- reversal of temporary differences - payment of interest	53	47
4. Total deferred income tax liabilities as at period end	3,293	2,498
a) recognised as financial profit or loss	3,293	2,498
- amortisation and depreciation	17	39
- loan interest	159	151
- goodwill	3,118	2,308

**NOTE NO. 27  
REVENUE FROM SALE IN THE REPORTING PERIOD**

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

Table No. 38

NET REVENUE FROM THE SALE OF PRODUCTS (TYPE STRUCTURE - TYPES OF ACTIVITIES)	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
Revenue from the sale of services	84,360	89,922
including: from related parties	611	282
- revenue from the sale of telecommunication services	77,908	84,094
- other services	6,452	5,828
including: from related parties	611	282
Total net revenues from the sale of products	84,360	89,922

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 39

NET REVENUE FROM THE SALE OF GOODS (TYPE STRUCTURE - TYPES OF ACTIVITIES)	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
Revenue from the sale of goods	35,718	31,530
including: from related parties	103	
- sets and pre-paid refillments	19,099	20,158
- postpaid contact phones	13,880	8,578
- other goods	2,739	2,794
Total net revenue from the sale of goods	35,718	31,530

**NOTE NO. 28  
FINANCIAL INCOME AND EXPENSES**

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

Table No. 40

DIVIDEND INCOME AND PROFIT SHARING INCOME	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
a) dividend income	1,142	
- from related parties	1,142	
b) advances to dividends received	1,519	
- from related parties	1,519	
Financial income from dividends	2,661	

Table No. 41

FINANCIAL INCOME FROM INTEREST	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
a) due to loans granted	661	787
- from related parties	644	729
- from a significant investor	17	59
b) other interest	50	81
- from other parties	50	81
Total financial income from interest	712	868

Table No. 42

OTHER FINANCIAL INCOME	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
a) other financial income		5
Total other financial income		5

Table No. 43

FINANCIAL COSTS DUE TO INTEREST	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
a) on loans and advances	692	451
- to other parties	692	451
Total financial costs due to interest	692	451

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 44

IMPAIRMENT OF FINANCIAL ASSETS	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
a) loans and advances	560	
- for related parties – Connex Sp. z o.o.	560	
Total financial costs due to impairment of financial assets	560	

Table No. 45

OTHER FINANCIAL COSTS	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
a) other, including:	157	151
- default interest	13	6
- commission paid	144	145
Total other financial costs	157	151

**NOTE NO. 29  
OPERATING REVENUE AND COSTS**

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

Table No. 46

COSTS PER TYPE	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
a) depreciation and amortisation	1,736	2,249
b) consumption of materials and energy	1,625	1,843
c) contracted services	51,946	53,948
d) taxes and fees	13	122
e) payroll	17,638	18,463
f) social insurance and other benefits	3,805	3,799
g) other costs per type (including)	1,786	1,967
Total costs per type	78,548	82,391
Change in inventories, products and prepayments	138	285
Costs of sale (negative value)	-32,454	- 34,283
Costs of general administration (negative value)	-6,743	- 7,016
Costs of products sold (negative value)	-39,488	- 40,807

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 47

OTHER OPERATING REVENUE	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
a) profit on the disposal of non-financial fixed assets	112	30
- revenue from the disposal of non-financial fixed assets	460	587
- value of non-financial fixed assets disposed (negative value)	-348	-558
b) reversal of provision (due to)	216	5
- disappearance of the underlying reason	216	5
c) other, including:	119	252
- court fees		1
- settlement of court enforcement costs		3
- liabilities written-off	1	1
- other	118	177
- visualisation		71
Total other operating revenue	447	286

Table No. 48

OTHER OPERATING costs	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
a) set-up of provisions (due to)	2,060	1,160
- impairment of receivables	1,242	407
- impairment of inventories		318
- provisions for costs	647	239
- provisions for share value		150
- provision for holiday and retirement benefits	171	46
b) other, including:	225	437
- donations	22	26
- receivables written-off	20	36
- court fees	11	7
- liquidation of tangible fixed assets	1	261
- shortages and damage	117	10
- penalties and fines	3	4
- other	50	21
- visualisation costs		71
Total other operating costs	2,285	1,597

**NOTE NO. 30  
DISCONTINUED OPERATIONS**

There were no discontinued operations in the Company.

**NOTE NO. 31  
EARNINGS PER SHARE**

Information on earnings per share is presented in table 49.

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 49

	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
Net profit (in PLN)	5,650,775.48	6,577,711.08
Average weighted number of ordinary shares (items)	6,309,623	6,195,560
Earnings per ordinary share (in PLN)	0.90	1.06
Average weighted diluted number of ordinary shares	6,309,623	6,195,560
Diluted earnings per ordinary share (in PLN)	0.90	1.06

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

**NOTE NO. 32  
BOOK VALUE OF ONE SHARE**

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

Table No. 50

	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
Book value (in PLN)	53,051,543.01	53,710,390.53
Number of ordinary shares (items) less 15,377 treasury/redeemed shares	6,309,623	6,309,623
Book value per one share (in PLN)	8.41	8.51
Diluted number of shares	6,309,623	6,309,623
Diluted book value per one share (in PLN)	8.41	8.51

**NOTE NO. 33  
INFORMATION ON RELATED ENTITIES**

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

Table No. 51

Transactions between Tell S.A. and related parties 2009	Euro-phone Sp. z .o. Subsidiary	PTI Sp. z .o. Subsidiary	Connex Sp. z .o. Subsidiary
Trade receivables	2	112	5
Amounts due from loans granted	8,475	936	559
Revenue from the sale of goods			
Revenue from the sale of services	53	32	197
Loan interest income	563	86	33



Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 52

Transactions between Tell S.A. and related parties 2010	Euro-phone Sp. z o.o. Subsidiary	PTI Sp. z o.o. Subsidiary	Connex Sp. z o.o. Subsidiary not consolidated
Trade receivables	12	11	582
Amounts due from loans granted	5,062	817	560
Trade liabilities	1		
Revenue from the sale of goods	56	47	
Revenue from the sale of services	467	144	496
Loan interest income	419	225	1

The receivables from Connex Sp. z o.o. are covered by provisions for receivables set up in an amount of kPLN 583 and for loans in an amount of kPLN 560.

**NOTE NO. 34  
REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD**

Information on the remuneration of the Supervisory Board and Management Board is presented in table 53.  
Table No. 53

	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
Members of the Supervisory Board	76	75
Members of the Management Board	1,388	1,523
total	1,464	1,598

**NOTE NO. 35  
EMPLOYMENT STRUCTURE**

The average employment in the Company as at the end of 2010 amounted to 566 people. The employment level as at the end of the comparable period as broken down into groups is presented in table 54.

Table No. 54

	2010 period from 01/01/2010 to 31/12/2010	2009 period from 01/01/2009 to 31/12/2009
Management Board	3	3
Managers	127	138
White collar	372	409
Blue collar	3	3

**NOTE NO. 36  
EVENTS AFTER THE BALANCE SHEET DATE**

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

**NOTE NO. 37  
GOALS AND PRINCIPLES OF CREDIT RISK MANAGEMENT**

The main financial instruments used by the company are bank loans, cash and short-term deposits. The main objective of these instruments is to provide funds to finance the Company's operations. The Company also has other financial instruments, such as trade receivables and liabilities, that arise directly in the course of its business.

The main types of risks related to the Company's financial instruments are the interest rate risk, liquidity risk and credit risk. The Management Board validates and agrees the management policies related to each type of risk – these policies were briefly discussed below.

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

#### Interest rate risk

The Company's exposure to interest rate risk fluctuations concerns mainly long-term financial liabilities as well as loans granted.

The Company uses only variable interest loans based on 1M WIBOR plus bank margin.

Table No. 55

in kPLN	Increase/decrease by percentage points	Impact on the accounting result
Balance sheet date 31/12/2010		
PLN	+ 1%	58
PLN	- 1%	- 58
Year ended on 31/12/2009		
PLN	+ 1%	54
PLN	- 1%	- 54

#### Credit risk

The Company enters into transactions only with renowned entities with a good credit standing. All clients wishing to take advantage of the merchant's credit are subject to a pre-verification procedure. Additionally, owing to an ongoing monitoring of the receivables, the exposure to bad receivables risk is insignificant.

With regard to other financial assets, such as cash and cash equivalents, available-for-sale financial assets, the credit risk arises in relation with the contractor's inability to make the payment, and the maximum exposure to this risk is equal to the carrying amount of such instruments.

Table No. 56 Maximum exposure to credit risk:

	Carrying amount	Risk exposure value
31/12/2009		
Shares and participations	20,585	20,585
Trade receivables	38,891	38,891
Loans granted	10,396	10,396
Cash and cash equivalents	915	915
31/12/2010		
Shares and participations	24,349	24,349
Trade receivables	40,369	40,369
Loans granted	5,879	5,879
Cash and cash equivalents	3,697	3,697

#### Liquidity risk

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

Table No. 57

	Sight	> 3 months	From 3 to 12 months	From 1 to 5 years	> 5 years
31/12/2010					
Interest-bearing loans and advances	428	428	855	4,134	
Convertible preferential shares					
Trade liabilities and other liabilities	51,686				
Derivatives					
31/12/2009					
Interest-bearing loans and advances	140	300	900	4,100	
Convertible preferential shares					
Trade liabilities and other liabilities	53,356				
Derivatives					

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

**NOTE NO. 38**  
**INFORMATION ABOUT FINANCIAL INSTRUMENTS**

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

Table No. 58

FINANCIAL ASSETS	Carrying amount		Fair value	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
a) Trade receivables and other receivables	40,479	39,097	40,479	39,097
- trade receivables	40,369	38,891	40,369	38,891
b) Other financial assets (short-term), including	5,879	10,396	5,879	10,396
- short-term loans	5,879	10,396	5,879	10,396
c) Cash and cash equivalents, including	3,697	912	3,697	912
- in hand	238	353	238	353
- at bank	3,460	559	3,460	559

Table No. 59

FINANCIAL LIABILITIES	Carrying amount		Fair value	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
a) Interest-bearing bank loans and advances, including	5,845	5,440	5,845	5,440
- overdraft facilities		5,440		5,440
b) Trade liabilities and other liabilities, including	51,686	53,356	51,686	53,356
- trade liabilities	48,180	49,257	48,180	49,257

**NOTE NO. 39**  
**CAPITAL MANAGEMENT**

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

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

Table No. 60

DETAILS	31/12/2010	31/12/2009
Interest-bearing loans and advances	5,845	5,440
Trade liabilities and other liabilities	51,686	53,356
Less cash and cash equivalents	3,697	912
<b>Net debt</b>	<b>53,834</b>	<b>57,884</b>
Convertible preferential shares		
Shareholder's equity	53,052	53,710
Reserve capitals from unrealised net profits		
<b>Total equity</b>	<b>53,052</b>	<b>53,710</b>
<b>Capital and net debt</b>	<b>106,886</b>	<b>111,594</b>
Leverage ratio	50%	52%

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

**NOTE NO. 40**  
**CASH FLOW STATEMENT**

Below are explanations to the cash flow statement.

Table No. 61

DETAILS	2010 current year	2009 previous year
<b>Cash in the balance sheet</b>	3,697	912
Exchange differences from balance sheet measurement		
Cash assets qualified as cash equivalents for the cash flow statement		
<b>Total cash and cash equivalents disclosed on the cash flow statement</b>	3,697	912
DETAILS	2010 current year	2009 previous year
<b>Amortisation and depreciation:</b>	1,736	2,249
amortisation of intangible assets	196	846
depreciation of tangible assets	1,540	1,403
<b>Interest and share in profits (dividends) comprise:</b>	-2,681	- 416
interest paid on loans	692	451
interest income from loans	-342	- 251
interest income from deposits	-50	- 81
interest accrued on loans granted	-320	- 535
dividend income	-2,661	
<b>Profit (loss) from investing activities results from:</b>	112	- 30
revenue from the sale of tangible fixed assets	-460	- 587
net value of tangible fixed assets sold	348	558
<b>Change in provisions results from:</b>	72	435
balance sheet change in provisions for liabilities	-99	389
balance sheet change in provisions for employee benefits	171	46
<b>Change in inventories results from:</b>	3,464	4,148
balance sheet change in inventories	3,464	4,148
<b>Change in receivables results from:</b>	-1,405	3,942
change in short-term receivables resulting from the balance sheet	-1,382	3,778
change in long-term receivables resulting from the balance sheet	-23	164
<b>Change in short-term liabilities, save financial liabilities, results from:</b>	-1,547	12,568
change in short-term liabilities resulting from the balance sheet	-1,669	12,603
adjustment of income tax liabilities	122	- 35

Name of company:	Tell S.A.		
Period covered by the financial statements:	01/01/2010-31/12/2010	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

**NOTE NO. 41**  
**INFORMATION ON TRANSACTIONS WITH THE AUDITOR OF THE FINANCIAL STATEMENTS**

Table No. 62

REMUNERATION PAID OR DUE FOR THE FINANCIAL YEAR	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
- for tax advisory services		
- for other services		
<b>Total</b>	<b>81</b>	<b>67</b>

The separate financial statements of the Company were approved by the Management Board of the Company on 7 March 2011 and signed by the Management Board:

Rafał Stempniewicz

Stanisław Górski

Robert Krasowski

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President of the Management Board

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Member of the Management Board

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Member of the Management Board