

Attachment No. 1

*to TP SA Supervisory Board Report
on activities in 2011*

Activity of TP Group Audit Committee in 2011

The Audit Committee was established by virtue of the Resolution of the TP Supervisory Board no. 324/V/2002 dated June 14, 2002 regarding the establishment of the Audit Committee as a consultative body acting under the Supervisory Board.

The task of the Committee is to advise the Supervisory Board on the proper implementation of budgetary and financial reporting and internal control (including risk management) principles in the TP Group and to liaise with the auditors of TP Group.

Composition

In 2011, the Audit Committee was composed of the following persons:

Chairman: Mr. Timothy Boatman ("Independent Director")

Members: Ms. Marie Christine Lambert
Ms. Nathalie Clere - nominated on July 12, 2011
Mr. Ronald Freeman ("Independent Director") – until December 23, 2011 when he resigned
Mr. Olivier Faure – until July 11, 2011 when he resigned.

The Secretary of the Committee was Mr. Jerzy Klonecki. Mr. Jacek Chaber, Director of TP Group Internal Audit, attended all the meetings of the Audit Committee.

Functions of the Committee

The key functions of the Audit Committee include:

- 1) Monitoring the integrity of the financial information provided by the Company in particular by reviewing:
 - a. The relevance and consistency of the accounting methods used by the Company and the TP Capital Group, including the criteria for the consolidation of the financial results;
 - b. Any changes to accounting standards, policies and practices;
 - c. Major areas of financial reporting subject to judgment;
 - d. Significant adjustments arising from the audit;
 - e. Statements on going concern;
 - f. Compliance with the accounting regulations;
- 2) Reviewing at least annually the Group's system of internal control and risk management systems with a view to ensuring that the main risks (including those related to compliance with existing legislation and regulations) are properly identified, managed and disclosed;
- 3) Reviewing annually the Internal Audit program, including the review of independence of the Internal Audit function, and coordinating between the internal and external auditors;
- 4) Analysing reports of the Company's Internal Audit and major findings of any other internal investigations and responses of the Management Board to them;
- 5) Making recommendations in relation to the selection and remuneration of the Director of the Internal Audit and on such function's budget;

- 6) Reviewing and providing an opinion to the TP Management and/or the TP Supervisory Board (where applicable) on significant transactions with related parties as defined by the corporate rules;
- 7) Monitoring the independence and objectivity of the Company's external auditors and presentation of recommendations to the Supervisory Board with regard to selection and remuneration of the Company's auditors, with particular attention being paid to remuneration for additional services;
- 8) Reviewing the issues giving rise to the resignation of the external auditor;
- 9) Discussing with the Company's external auditors before the start of each annual audit on the nature and scope of the audit and monitoring the auditors' work;
- 10) Discussing (in or without the presence of the Company Management Board) of any problems or reservations, resulting from the financial statements audit;
- 11) Reviewing the effectiveness of the external audit process, and the responsiveness of the Management Board to recommendations made by the external auditor;
- 12) Considering any other matter noted by the Audit Committee or the Supervisory Board;
- 13) Regularly informing the Supervisory Board about all important issues within the Committee's scope of activity;
- 14) Providing the Supervisory Board with its annual report on the Audit Committee's activity and results.

Activity in 2011

In 2011, the TP Group Audit Committee held 10 meetings, out of which 9 were regular meetings and 1 dedicated ad-hoc meeting, and in particular performed the following:

- 1) Reviewed the Company's and Group's published financial statements, notably the relevance and consistency of the accounting methods used by the Company and the TP Capital Group, particular attention was paid to those aspects where judgment is required, e.g. impairment of assets including goodwill, major outstanding litigations, revenue recognition and deferred tax;
- 2) Reviewed the Group's system of internal control (including risk management) as reported by the Management Board and, in particular, the way risks were identified, managed and disclosed by the Management. The Audit Committee received reports from Management on action plans in response to comments on internal controls from the internal and external auditors;
- 3) Reviewed the annual plan of the Internal Audit, its budget and progress reports, as well as monitored the responsiveness of management to Internal Audit findings and recommendations. The Audit Committee was provided with a report regarding the renewal in 2011 of the certification of Internal Audit activities by Institut Français de l'Audit et du Contrôle Interne (IFACI). The Audit Committee reviewed also the independence of the Internal Audit;
- 4) Made recommendation to the Supervisory Board on the external auditor, its remuneration and terms of engagement. In accordance with the Code of the Best Practices for companies listed on the Warsaw Stock Exchange, the Audit Committee recommended to the Supervisory Board the appointment of Deloitte Audit Sp. z o.o. to the audit of TP S.A. and Telekomunikacja Polska Group for the financial year 2011 and to review half-yearly financial statements for the period of six months ended June 30, 2011;
- 5) Kept under review the scope and the results of the external audit, independence and objectivity of the auditors and reported its conclusions to the Supervisory Board; monitored the Company's responsiveness to the recommendations from the external auditor made in its management letter. In addition, the Committee met privately with the lead partner of the statutory audit firm;

- 6) Reviewed the development and operation of the Group's Ethics Committee activity, anti-fraud and whistle-blowing programs managed by the Management Board; monitored results of investigations initiated by whistle-blowing;
- 7) Reviewed the Group's 2011 budget and addressed recommendations on it to the Supervisory Board;
- 8) Reviewed the Share Buy Back program and 2011 dividend distribution policy proposed by the Management;
- 9) Issued opinions on other matters referred to the Committee by the Supervisory Board and/or the Management Board including M&A transactions, the medium and long term financing of the Company and its subsidiaries.

During the course of the year, the Audit Committee reviewed the *Recommendations on the work of the Audit Committee* issued in November 2010 by the Office of the Financial Supervision Authority in Poland and satisfied itself that it complies in all material respect with these recommendations.

In the year under review, the Audit Committee, especially its two independent members, reviewed and gave opinions to the Management Board of TP on significant transactions with related parties as defined by the corporate rules and received reports on them from the Company's Internal Audit.

Timothy Boatman
Chairman of the Audit Committee of the Supervisory Board

March 29, 2012