☐ - restated

POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the third quarter of 2013

(quarter / year)

(according to par. 82 s. 2 and par. 83 s. 1 of the Decree of Minister of Finance dated 19 February 2009 - Journal of Laws No. 33, item 259, with amendments)
for the issuers in sectors of production, construction, trade or services

for the **third quarter** of **2013**, i.e. **from 1 January 2013 to 30 September 2013**

including condensed consolidated financial statements prepared under: **International Financial Reporting Standards**
in currency: **PLN**

and condensed separate financial statements prepared under: **International Financial Reporting Standards**
in currency: **PLN**

date of issuance: **22 October 2013**

TELEKOMUNIKACJA POLSKA SA
(full name of issuer)

TPSA
(abbreviated name of the issuer)

Telecommunication (tel)
(classification according to WSE/ sector)

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(post code)

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(location)

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SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	3 quarter cumulative period from 01/01/2013 to 30/09/2013	3 quarter cumulative period from 01/01/2012 to 30/09/2012	3 quarter cumulative period from 01/01/2013 to 30/09/2013	3 quarter cumulative period from 01/01/2012 to 30/09/2012
condensed consolidated financial statements data				
I. Revenue	9 766 000	10 659 000	2 312 519	2 541 003
II. Operating income	849 000	1 385 000	201 037	330 171
III. Profit before income tax	489 000	1 004 000	115 792	239 344
IV. Consolidated net income	396 000	804 000	93 770	191 666
V. Net income attributable to owners of TP S.A.	396 000	804 000	93 770	191 666
VI. Earnings per share (in PLN/EUR) (basic and diluted)	0.30	0.61	0.07	0.15
VII. Weighted average number of shares (in millions) (basic and diluted)	1 312	1 317	1 312	1 317
VIII. Total comprehensive income	416 000	783 000	98 506	186 660
IX. Total comprehensive income attributable to owners of TP S.A.	416 000	783 000	98 506	186 660
X. Net cash provided by operating activities	2 480 000	768 000	587 246	183 084
XI. Net cash used in investing activities	(1 633 000)	(2 168 000)	(386 683)	(516 830)
XII. Net cash used in financing activities	(1 025 000)	(1 002 000)	(242 713)	(238 867)
XIII. Total net change in cash and cash equivalents	(180 000)	(2 391 000)	(42 623)	(569 991)
	balance as at 30/09/2013	balance as at 31/12/2012	balance as at 30/09/2013	balance as at 31/12/2012
XIV. Total current assets	1 909 000	2 210 000	452 767	540 580
XV. Total non-current assets	20 866 000	21 953 000	4 948 889	5 369 845
XVI. Total assets	22 775 000	24 163 000	5 401 656	5 910 425
XVII. Total current liabilities	7 203 000	6 502 000	1 708 370	1 590 431
XVIII. Total non-current liabilities	2 854 000	4 703 000	676 897	1 150 384
XIX. Total equity	12 718 000	12 958 000	3 016 389	3 169 610
XX. Equity attributable to owners of TP S.A.	12 716 000	12 956 000	3 015 914	3 169 121
XXI. Share capital	3 937 000	4 007 000	933 757	980 138
condensed separate financial statements data				
	3 quarter cumulative period from 01/01/2013 to 30/09/2013	3 quarter cumulative period from 01/01/2012 to 30/09/2012	3 quarter cumulative period from 01/01/2013 to 30/09/2013	3 quarter cumulative period from 01/01/2012 to 30/09/2012
I. Revenue	5 253 000	5 603 000	1 243 873	1 335 701
II. Operating income	221 000	291 000	52 331	69 372
III. Profit before income tax	1 226 000	1 474 000	290 308	351 387
IV. Net income	1 180 000	1 508 000	279 416	359 493
V. Earnings per share (in PLN/EUR) (basic and diluted)	0.90	1.15	0.21	0.27
VI. Weighted average number of shares (in millions) (basic and diluted)	1 312	1 317	1 312	1 317
VII. Total comprehensive income	1 184 000	1 494 000	280 363	356 155
VIII. Net cash provided by operating activities	2 198 000	306 000	520 471	72 947
IX. Net cash used in investing activities	(1 032 000)	(1 567 000)	(244 370)	(373 558)
X. Net cash used in financing activities	(1 285 000)	(1 049 000)	(304 279)	(250 072)
XI. Total net change in cash and cash equivalents	(122 000)	(2 315 000)	(28 889)	(551 874)
	balance as at 30/09/2013	balance as at 31/12/2012	balance as at 30/09/2013	balance as at 31/12/2012
XII. Total current assets	1 801 000	1 623 000	427 152	396 996
XIII. Total non-current assets	21 596 000	22 941 000	5 122 026	5 611 516
XIV. Total assets	23 397 000	24 564 000	5 549 178	6 008 512
XV. Total current liabilities	7 366 000	6 758 000	1 747 029	1 653 050
XVI. Total non-current liabilities	3 898 000	6 201 000	924 507	1 516 804
XVII. Total equity	12 133 000	11 605 000	2 877 642	2 838 658
XVIII. Share capital	3 937 000	4 007 000	933 757	980 138

Pursuant to Art. 87 of the Decree of the Minister of Finance of 19 February 2009 on current and periodic information to be disclosed by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state - Journal of Laws of 2009, no. 33, item 259, with amendments ("the Decree of the Minister of Finance of 19 February 2009"), the Management Board of Telekomunikacja Polska S.A. ("TP S.A.", "the Company") discloses the following information:

I. Shareholders entitled to exercise at least 5% of total voting rights at the General Meeting of TP S.A., either directly or through subsidiaries as at the date of publication of the quarterly report and changes in the ownership structure in the period since the submission of the previous interim report

The ownership structure of the Company's share capital, based on the information available to the Company as at 22 October 2013, i.e. the date of submission of the quarterly report for the third quarter of 2013 was the same as at 24 July 2013, i.e. the date of submission of the interim report for the 6 months ended 30 June 2013:

Shareholder	Number of shares held	Number of votes at the General Meeting of TP S.A.	Percentage of the total number of votes at the General Meeting of TP S.A.	Nominal value of shares held (in PLN)	Share in the capital
Orange S.A.	664,999,999	664,999,999	50.67%	1,994,999,997	50.67%
Other shareholders	647,357,480	647,357,480	49.33%	1,942,072,440	49.33%
TOTAL	**1,312,357,479**	**1,312,357,479**	**100.00%**	**3,937,072,437**	**100.00%**

II. Statement of changes in ownership of TP S.A.'s shares or rights to them (options) held by Members of the Management Board and the Supervisory Board of TP S.A., according to information obtained by TP S.A., in the period since the submission of the previous interim report

As part of the Company's incentive program, members of the Management Board of the Company acquired TP S.A. registered A-series bonds with a pre-emption right attached to the Bonds to subscribe for the Company's shares with priority over existing shareholders.

The number of bonds with a pre-emption right held by members of the Management Board of the Company at the dates of submission of the quarterly report for the third quarter of 2013 and the interim report for the 6 months ended 30 June 2013 is as follows:

	22 October 2013	24 July 2013
Bruno Duthoit (1)	-	Not applicable
Vincent Lobry	-	-
Piotr Muszyński	190,896	190,896
Jacques de Galzain	-	-
Jacek Kowalski	25,241	25,241
Maciej Witucki (2)	Not applicable	305,557

(1) On 19 September 2013, the Supervisory Board of TP S.A. appointed Mr Bruno Duthoit as the President of the Management Board of TP S.A.
(2) On 10 September 2013, Mr Maciej Witucki submitted his resignation as the President of the Management Board of TP S.A. with the effect on 19 September 2013.

Maciej Witucki, the Chairman of the Supervisory Board of TP S.A. from 19 September 2013, held 305,557 bonds with a pre-emption right as at 22 October 2013. Other members of the Supervisory Board of TP S.A. do not participate in the Company's incentive program and as at 22 October 2013 and 24 July 2013 held no bond with a pre-emption right.

Maciej Witucki, the President of the Management Board of TP S.A. until 19 September 2013 and the Chairman of the Supervisory Board of TP S.A. from the same day, held 4,000 TP S.A. shares as at 22 October 2013 and 24 July 2013. There was no TP S.A. share held by other members of the Management Board or the Supervisory Board of TP S.A.

III. Information on guarantees or collaterals of loans or borrowings granted by the Company or its subsidiaries to other entities or their subsidiaries, where the total amount of guarantees or collaterals account for at least 10% of the Company's equity

In the 9 months ended 30 September 2013, the Company or its subsidiaries did not grant guarantee or collateral of loan or borrowing to any entity or its subsidiary of the total value representing the equivalent of at least 10% of TP S.A.'s shareholders equity.

IV. The Management Board's comment on previously published financial forecasts

The Group does not publish financial forecasts as defined by the Decree of the Minister of Finance of 19 February 2009.

V. Factors which, in the opinion of the Group, may affect its results over at least the next quarter

Factors that, in the Management Board's opinion, have influence on the Group's operations or may have such influence in the near future are presented in Section 4 of Management Board's Report on the Activity of Telekomunikacja Polska Group in the first half of 2013 as well as in current reports 96/2013 and 98/2013 published on 10 September 2013. Additionally, threats and risks that may impact the Group's operational and financial performance are reviewed in detail in the Chapter IV of the above mentioned Report.

VI. Foreign exchange rates

The statement of financial position data as at 30 September 2013 and 31 December 2012 presented in the table "Selected financial data" was translated into Euro at the average exchange rate of the National Bank of Poland ("NBP") on the end of the reporting period. The income statement data, together with the statement of comprehensive income and statement of cash flows data for the 9 months ended 30 September 2013 and 2012, was translated into Euro at an exchange rate which is the arithmetical average of the average NBP rates published by the NBP on the last day of each month of 9 month periods ended 30 September 2013 and 2012.

The exchange rates used in translation of statement of financial position, income statement, statement of comprehensive income and statement of cash flows data are presented below:

	30 September 2013	31 December 2012	30 September 2012
Statement of financial position	4.2163 PLN	4.0882 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.2231 PLN	Not applicable	4.1948

TELEKOMUNIKACJA POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2013

October 21, 2013

Contents

CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings per share)

	3 months ended 30 September 2013 (unaudited)	*9 months ended 30 September 2013 (unaudited)*	*3 months ended 30 September 2012 (see Note 2, unaudited)*	*9 months ended 30 September 2012 (see Note 2, unaudited)*
Revenue	**3,196**	**9,766**	**3,472**	**10,659**
External purchases	(1,501)	(4,746)	(1,557)	(5,118)
Labour expenses	(453)	(1,514)	(489)	(1,576)
Other operating expense	(177)	(579)	(177)	(515)
Other operating income	85	239	73	377
Gains on disposal of assets	15	36	3	23
Depreciation and amortisation	(775)	(2,349)	(801)	(2,454)
Impairment of non-current assets	-	(4)	(1)	(11)
Operating income	**390**	**849**	**523**	**1,385**
Interest income	2	9	5	22
Interest expense and other financial charges	(105)	(292)	(141)	(360)
Foreign exchange gains/(losses)	(4)	(2)	8	22
Discounting expense	(11)	(75)	(18)	(65)
Finance costs, net	**(118)**	**(360)**	**(146)**	**(381)**
Income tax	(33)	(93)	(70)	(200)
Consolidated net income	**239**	**396**	**307**	**804**
Net income attributable to owners of TP S.A.	239	396	307	804
Net income attributable to non-controlling interests	-	-	-	-
Earnings per share (in PLN) (basic and diluted)	**0.18**	**0.30**	**0.23**	**0.61**
Weighted average number of shares (in millions) (basic and diluted)	1,312	1,312	1,312	1,317

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months ended 30 September 2013 (unaudited)	*9 months ended 30 September 2013 (unaudited)*	*3 months ended 30 September 2012 (unaudited)*	*9 months ended 30 September 2012 (unaudited)*
Consolidated net income	**239**	**396**	**307**	**804**
Items that will not be reclassified to profit or loss				
Actuarial gains/(losses) on post-employment benefits	20	20	(11)	(11)
Income tax relating to items not reclassified	(3)	(3)	2	2
Items that may be reclassified subsequently to profit or loss				
Losses on cash flow hedges	(5)	(2)	(28)	(14)
Translation adjustment	5	5	-	-
Income tax relating to items that may be reclassified	1	-	5	2
Other comprehensive income/(loss), net of tax	**18**	**20**	**(32)**	**(21)**
Total comprehensive income	**257**	**416**	**275**	**783**
Total comprehensive income attributable to owners of TP S.A.	257	416	275	783
Total comprehensive income attributable to non-controlling interests	-	-	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)

	At 30 September 2013 *(unaudited)*	***At 31 December 2012*** *(see Note 2, audited)*
ASSETS		
Goodwill	4,025	4,016
Other intangible assets	3,041	2,967
Property, plant and equipment	13,027	13,951
Derivatives	18	127
Other financial assets	13	14
Deferred tax assets	742	878
Total non-current assets	**20,866**	**21,953**
Inventories	171	194
Trade receivables	1,211	1,413
Derivatives	82	-
Other financial assets	15	17
Other assets	109	113
Prepaid expenses	95	67
Cash and cash equivalents	226	406
Total current assets	**1,909**	**2,210**
TOTAL ASSETS	**22,775**	**24,163**
EQUITY AND LIABILITIES		
Share capital	3,937	4,007
Share premium	832	832
Treasury shares	-	(400)
Other reserves	(22)	(37)
Translation adjustment	-	(5)
Retained earnings	7,969	8,559
Equity attributable to owners of TP S.A.	**12,716**	**12,956**
Non-controlling interests	2	2
Total equity	**12,718**	**12,958**
Loans from related party	1,172	-
Financial liabilities at amortised cost excluding trade payables	100	2,990
Derivatives	1	283
Trade payables	916	751
Employee benefits	362	375
Provisions	263	263
Other liabilities	15	15
Deferred income	25	26
Total non-current liabilities	**2,854**	**4,703**
Loans from related party	521	-
Financial liabilities at amortised cost excluding trade payables	3,078	2,195
Derivatives	183	112
Trade payables	1,802	2,228
Employee benefits	185	213
Provisions	835	953
Income tax liabilities	24	123
Other liabilities	152	162
Deferred income	423	516
Total current liabilities	**7,203**	**6,502**
TOTAL EQUITY AND LIABILITIES	**22,775**	**24,163**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Treasury shares	Other reserves				Translation adjustment	Retained earnings	Equity attributable to owners of TP S.A.	Non-controlling interests	Total equity
				Hedging instruments	Actuarial losses on post-employment benefits	Deferred tax	Share-based payments					
Balance at 1 January 2012 *(audited)*	**4,007**	**832**	**(200)**	**10**	**(77)**	**12**	**79**	**(5)**	**9,673**	**14,331**	**3**	**14,334**
Total comprehensive income for the 9 months ended 30 September 2012	-	-	-	(14)	(11)	4	-	-	804	783	-	783
Purchase of treasury shares	-	-	(200)	-	-	-	-	-	-	(200)	-	(200)
Dividends	-	-	-	-	-	-	-	-	(1,969)	(1,969)	(1)	(1,970)
Balance at 30 September 2012 *(unaudited)*	**4,007**	**832**	**(400)**	**(4)**	**(88)**	**16**	**79**	**(5)**	**8,508**	**12,945**	**2**	**12,947**
Balance at 1 January 2013 *(audited)*	**4,007**	**832**	**(400)**	**(15)**	**(127)**	**26**	**79**	**(5)**	**8,559**	**12,956**	**2**	**12,958**
Total comprehensive income for the 9 months ended 30 September 2013	-	-	-	(2)	20	(3)	-	5	396	416	-	416
Redemption of treasury shares	(70)	-	400	-	-	-	-	-	(330)	-	-	-
Dividends	-	-	-	-	-	-	-	-	(656)	(656)	-	(656)
Balance at 30 September 2013 *(unaudited)*	**3,937**	**832**	**-**	**(17)**	**(107)**	**23**	**79**	**-**	**7,969**	**12,716**	**2**	**12,718**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)

	3 months	***9 months***	***3 months***	***9 months***
	ended 30 September 2013		***ended 30 September 2012***	
	(unaudited)	*(unaudited)*	*(see Note 2, unaudited)*	*(see Note 2, unaudited)*
OPERATING ACTIVITIES				
Consolidated net income	239	396	307	804
Adjustments to reconcile net income to cash from operating activities				
Depreciation and amortisation	775	2,349	801	2,454
Impairment of non-current assets	-	4	1	11
Gains on disposal of assets	(15)	(36)	(3)	(23)
Change in provisions	(6)	(82)	(7)	(2,256)
Income tax	33	93	70	200
Finance costs, net	118	360	146	381
Operational foreign exchange and derivatives (gains)/losses, net	(1)	1	12	6
Change in working capital (trade)				
(Increase)/decrease in inventories	47	23	(10)	(4)
(Increase)/decrease in trade receivables	(21)	103	94	104
Decrease in trade payables	(63)	(145)	(355)	(603)
Change in working capital (non-trade)				
Decrease in prepaid expenses and other receivables	23	9	189	33
Decrease in deferred income and other payables	(58)	(98)	(43)	(114)
Interest received	3	10	6	23
Interest and interest rate effect on derivatives paid, net	(77)	(417)	(103)	(419)
Exchange rate effect on derivatives, net	-	(20)	-	184
Income tax paid	(15)	(70)	(14)	(13)
Net cash provided by operating activities	**982**	**2,480**	**1,091**	**768**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(692)	(1,544)	(429)	(1,315)
(Decrease)/increase in amounts due to fixed assets suppliers	129	(156)	(348)	(902)
Exchange rate effect on derivatives economically hedging capital expenditures, net	5	1	1	18
Proceeds from sale of property, plant and equipment and intangible assets	10	52	6	42
Decrease in receivables related to leased fixed assets	3	7	2	5
Proceeds from sale of subsidiaries, net of cash and transaction costs	9	9	-	3
Cash paid for investments in subsidiaries, net of cash acquired	-	(8)	-	-
Decrease in loans and other financial assets	-	3	1	-
Exchange rate effect on other derivatives, net	-	3	(1)	(19)
Net cash used in investing activities	**(536)**	**(1,633)**	**(768)**	**(2,168)**
FINANCING ACTIVITIES				
Issuance of long-term debt	-	1,172	-	-
Repayment of long-term debt	(392)	(915)	(504)	(626)
Increase/(decrease) in short-term debt	521	(624)	1,742	1,798
Purchase of treasury shares	-	-	-	(200)
Exchange rate effect on hedging instruments, net	2	(2)	-	(4)
Dividend paid	(656)	(656)	(1,969)	(1,970)
Net cash used in financing activities	**(525)**	**(1,025)**	**(731)**	**(1,002)**
Net change in cash and cash equivalents	**(79)**	**(178)**	**(408)**	**(2,402)**
Effect of changes in exchange rates and other impacts on cash and cash equivalents	(3)	(2)	5	11
Cash and cash equivalents at the beginning of the period	308	406	883	2,871
Cash and cash equivalents at the end of the period	**226**	**226**	**480**	**480**

1. The Telekomunikacja Polska Group

Telekomunikacja Polska S.A. (“Telekomunikacja Polska” or “the Company” or “TP S.A.”), a joint stock company, was incorporated and commenced its operations on 4 December 1991. The Telekomunikacja Polska Group (“the Group”) comprises Telekomunikacja Polska and its subsidiaries.

The Group is the principal supplier of telecommunications services in Poland. Telekomunikacja Polska provides fixed-line telephony services (local, domestic and international calls), Integrated Services Digital Network (“ISDN”), fixed access to the Internet, TV and Voice over Internet Protocol (“VoIP”). Telekomunikacja Polska provides telecommunications services on the basis of entry number 1 in the register of telecommunications companies maintained by the President of Office of Electronic Communication (“UKE”). Through its subsidiary, Polska Telefonia Komórkowa-Centertel Sp. z o.o. (“PTK-Centertel”), the Group is one of Poland’s major provider of mobile telecommunications services based on the CDMA 450, GSM 900/1800, UMTS 900/2100 and LTE 1800 technologies. In addition, the Group provides leased lines and other telecommunications value added services, sells telecommunications equipment, provides data transmission, multimedia services and various Internet services.

Telekomunikacja Polska’s registered office is located in Warsaw at 18 Twarda St.

On 9 September 2013, Management Boards of Telekomunikacja Polska and its fully owned subsidiaries – PTK-Centertel and Orange Polska Sp. z o.o. – approved a formal plan of merger. The plan will be presented for approval at the Extraordinary General Meeting of TP S.A. on 7 November 2013.

<u>Segment revenue and segment results</u>

Until the end of 2012, the Group reported two operating segments: fixed line and mobile segment, which included entities offering predominantly telecom services based on fixed line technology and mobile technology, respectively. Increasing convergence of fixed and mobile offers, dependence of mobile network on fixed core network and a unified organisation has significantly changed the decision making process on resources allocation basing it on consolidated operating results. Convergence became the major focus of the Group as publically announced in the medium term action plan in February 2013 which included the planned formal merger of Telekomunikacja Polska S.A. (the main part of the fixed line segment before 2013) and Polska Telefonia Komórkowa-Centertel Sp. z o.o (the main part of the mobile segment before 2013). Therefore, starting from 2013, the Group reports a single reportable operating segment.

Segment performance is evaluated mainly based on consolidated revenue, consolidated EBITDA, consolidated net income, consolidated capital expenditures, consolidated organic cash flows, consolidated net financial debt / EBITDA ratio and consolidated net gearing ratio.

Basic financial data of the operating segment is presented below:

(in PLN millions)	***9 months ended 30 September 2013***	***9 months ended 30 September 2012***
Revenue	9,766	10,659
EBITDA [1]	3,202	3,850
Net income	396	804
Organic cash flows [2]	833	1,060 [3]
Capital expenditures	1,544	1,316
	At 30 September 2013	***At 31 December 2012***
Net gearing ratio [4]	27.0%	28.0%
Net financial debt / EBITDA [5] ratio	1.1	1.0

[1] Operating income before depreciation and amortisation expense and impairment of non-current assets.
[2] Net cash provided by operating activities decreased by payments to fixed assets suppliers (after net exchange rate effect on derivatives economically hedging capital expenditures) and increased by proceeds from sale of fixed assets.
[3] Excludes the effect of the settlement agreement with DPTG resulting in a payment of EUR 550 million (PLN 2,449 million).
[4] Net financial debt / (net financial debt + equity). Net financial debt corresponds to the total gross financial debt, after net derivative instruments classified at fair value through profit or loss, cash flow hedges and fair value hedges, less cash and cash equivalents, marketable securities and including the impact of the effective portion of cash flow hedges.
[5] Cumulative EBITDA for last four quarters.

2. Statement of compliance and basis for preparation

Basis for preparation

These unaudited Condensed Quarterly Consolidated Financial Statements of the Group (the "Quarterly Consolidated Financial Statements") are prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting ("IAS 34") and with all accounting standards applicable to interim financial reporting adopted by the European Union, issued and effective as at the time of preparing the Quarterly Consolidated Financial Statements (see also Note 3).

These Quarterly Consolidated Financial Statements should be read in conjunction with the audited Telekomunikacja Polska Group IFRS Consolidated Financial Statements and the notes thereto ("IFRS Consolidated Financial Statements") for the year ended 31 December 2012.

The Quarterly Consolidated Financial Statements include the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and selected explanatory notes.

Costs that arise unevenly during the year are anticipated or deferred in the quarterly financial statements only if it would also be appropriate to anticipate or defer such costs at the end of the year.

These Quarterly Consolidated Financial Statements are prepared in millions of Polish zloty ("PLN") and were authorised for issuance by the Management Board on 21 October 2013.

Adoption of standards in 2013

The following standards endorsed by the European Union were adopted by the Group as at 1 January 2013:

- IFRS 10 "Consolidated Financial Statements". This standard has been endorsed by the European Union and it is applicable for financial years beginning on or after 1 January 2014, with early application permitted;
- IFRS 11 "Joint Arrangements". This standard has been endorsed by the European Union and it is applicable for financial years beginning on or after 1 January 2014, with early application permitted;
- IFRS 12 "Disclosure of Interests in Other Entities". This standard has been endorsed by the European Union and it is applicable for financial years beginning on or after 1 January 2014, with early application permitted;

- IFRS 13 “Fair Value Measurement”. This standard has been endorsed by the European Union and it is applicable for financial years beginning on or after 1 January 2013.

Except for IFRS 11, the adoption of the standards presented above did not result in any significant changes to the Group’s accounting policies and to the presentation of the financial statements.

Adoption of IFRS 11 resulted in a change in accounting treatment of the 50% interest in NetWorkS! Sp. z o.o. which previously was accounted for using the equity method in accordance with IAS 31 “Interests in Joint Ventures”. The joint arrangement which is structured through NetWorkS! Sp. z o.o. was classified as a joint operation under IFRS 11 and, in relation to its interest in NetWorkS! Sp. z o.o., the Group recognised its assets, liabilities, revenue and expenses, including its respective shares in the above – which insignificantly affected comparative amounts presented in these financial statements.

Standards and interpretations issued but not yet adopted

Management has not opted for early and full application of the following standard and interpretation (in the process of being endorsed by the European Union):

- IFRS 9 “Financial Instruments” applicable for financial years beginning on or after 1 January 2015. This standard has not been endorsed by the European Union;
- IFRIC 21 “Levies” applicable for financial years beginning on or after 1 January 2014. This interpretation has not been endorsed by the European Union.

Management is currently analysing the practical consequences of this new standard and interpretation and the effect of their application on the financial statements.

Cash generating units

Until the end of 2012, assets comprising the fixed network and the mobile network were treated as separate Cash Generating Units (“CGU”). The medium term action plan covering years 2013 – 2015 was announced on 12 February 2013 by the Management Board. According to this plan, assets of fixed and mobile networks are treated as one group of assets as they will generate largely dependent cash inflows. As a result, starting from 2013 the Group identifies two CGUs: telecom operator and internet portal (the same CGU as in 2012).

3. Statement of accounting policies

Except of the changes described in Note 2 the accounting policies and methods of computation used in the preparation of the Quarterly Consolidated Financial Statements are consistent with those described in the audited IFRS Consolidated Financial Statements for the year ended 31 December 2012 (see Notes 2 and 31 to IFRS Consolidated Financial Statements for the year ended 31 December 2012).

4. Explanatory comments about the seasonality or cyclicality of interim Group operations

The Group’s activities are not subject to any significant seasonality or cyclical trends of operations.

5. Changes in scope of consolidation

The list of entities included in the Quarterly Consolidated Financial Statements as at and for the 9 months ended 30 September 2013 is presented in the Note 1.2 to the IFRS Consolidated Financial Statements for the year ended 31 December 2012.

On 15 March 2013, the Group purchased a 100% shareholding in Datacom System S.A. – a provider of integrated IT services. The purchase price amounted to PLN 13 million, of which PLN 11 million was paid and PLN 2 million will be paid after one year. As a result of the transaction the Group recognised goodwill in the amount of PLN 9 million, as well as PLN 1 million of the acquiree's non-current assets, PLN 6 million of the acquiree's current assets and PLN 3 million of the acquiree's current liabilities which represent carrying amounts of each of those classes determined immediately before the combination.

On 9 July 2013, the Group concluded a share sale agreement with a private equity fund under which the 100% shareholding in Otwarty Rynek Elektroniczny S.A. was disposed of for a total consideration amounting to PLN 16 million.

TPSA Eurofinance B.V. and TPSA Finance B.V., fully owned subsidiaries, were liquidated in August 2013.

6. Items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

The amount of cash flows from operating activities for the 9 months ended 30 September 2012 includes the effect of the settlement agreement with DPTG resulting in a payment of EUR 550 million (PLN 2,449 million).

7. Redemption of treasury shares

On 11 April 2013, the General Meeting of TP S.A. adopted resolutions on the redemption of 23,291,542 own shares acquired by the Company in 2012 and 2011 for a total consideration of PLN 400 million and on the reduction of the Company's share capital from PLN 4,007 million to PLN 3,937 million (registered by the Registry Court on 18 June 2013).

8. Changes in credit facilities

On 17 April 2013, TP S.A. and Atlas Services Belgium S.A., a subsidiary of Orange S.A. (previously France Telecom S.A.) concluded a Revolving Credit Facility Agreement for up to EUR 250 million (available in EUR and PLN) and a Credit Facility Agreement for up to EUR 400 million. As at 30 September 2013, the outstanding balances under the Revolving Credit Facility Agreement and the Credit Facility Agreement amounted to PLN 517 million and EUR 280 million (PLN 1,176 million), respectively, including accrued interest. The repayment date of both agreements is 31 March 2016.

TP S.A. concluded also an agreement with Orange S.A. concerning derivative transactions to hedge exposure to foreign currency risk and interest rate risk related to the financing provided in EUR. The nominal amount of cross currency interest rate swaps and interest rate swaps outstanding under the agreement as at 30 September 2013 was EUR 280 million and PLN 200 million with fair value amounting to PLN 16 million and PLN 1 million, respectively.

As at 30 September 2013, the weighted average effective interest rate on the abovementioned credit facilities amounted to 1.55% in EUR (before swaps) and 3.95% in PLN (after swaps).

Additionally, TP S.A. concluded a Cash Management Treasury Agreement with Orange S.A. enabling the Group to deposit its cash surpluses with Orange S.A. and giving access to back-up liquidity funding with headroom up to PLN 1.75 billion. Such deposits are classified as cash and cash equivalents in the consolidated statement of financial position and in the consolidated statement of cash flows.

Financial terms of the above agreements are based on normal market terms.

On 8 May 2013, TP S.A. terminated a PLN 2 billion Revolving Credit Facility Agreement signed in 2010 with Bank Handlowy S.A. (syndicated) and repaid the outstanding balance (PLN 1,139 million as at 31 December 2012).

9. Dividends

On 11 April 2013, the General Meeting of TP S.A. adopted a resolution on the payment of an ordinary dividend of PLN 0.50 per share from the 2012 profit. Total dividend, paid on 11 July 2013, amounted to PLN 656 million.

10. Changes in major litigation and claims, contingent liabilities and contingent assets since the end of the last annual reporting period

The information hereunder refers to the matters presented in Note 28.c-d to the IFRS Consolidated Financial Statements for the year ended 31 December 2012 or describes major matters that occurred after 31 December 2012.

a. Proceedings by UKE and UOKiK

Proceedings by UKE related to broadband access
With respect to the appeal proceedings concerning the annulled PLN 339 million fine, on 6 March 2013, the Supreme Court refused to examine the cassation appeal lodged by UKE. That decision ended the appeal procedure on the fine imposed by UKE on TP S.A. in 2007.
With respect to the appeal proceedings concerning the annulled PLN 100 million fine, on 2 July 2013, the Supreme Court refused to examine the cassation appeal lodged by UKE. That decision ended the appeal procedure on the fine imposed by UKE on TP S.A. in 2006.

Proceedings by UOKiK related to IP traffic
After subsequent stages of the appeal procedure, the Court of Appeal, on 9 April 2013, dismissed both appeals filed by UOKiK and TP S.A. against the verdict of SOKiK of 11 April 2011 reducing the fine imposed on the Company from PLN 75 million to PLN 38 million. The verdict of SOKiK lowering the fine is binding. TP S.A. paid the fine in May 2013 and lodged a cassation appeal to the Supreme Court against the decision of the Court of Appeal of 9 April 2013.

Proceedings by UOKiK related to retail prices of calls to Play
On 18 March 2013, UOKiK commenced competition proceedings against PTK-Centertel, Polkomtel Sp. z o.o. and T-Mobile Polska S.A. claiming that they abused collective dominant position in the domestic retail market of mobile telephony. UOKiK alleges that the retail prices of calls made by individual users from the network of each of the three operators to the network of P4 sp. z o.o. (Play) were relatively higher than the prices for such calls to the networks of the three operators and determined without sufficient consideration of the differentiation of the asymmetric wholesale termination rates determined by UKE. In the view of UOKiK, the applied prices could result in restricting the development of competition on the retail domestic mobile telephony market.
In September 2013, PTK-Centertel on request of UOKiK provided the Office with detailed data relating to its offers and retail prices.
In the opinion of the Management, PTK-Centertel has not performed activities that would restrict competition and, in the period covered by the proceedings, the level of the competition on the retail domestic mobile telephony market had been constantly increasing.

According to the Act on Competition and Consumer Protection, in case of non-compliance with its regulations, the President of the UOKiK is empowered to impose on an entity penalties of up to a maximum amount of EUR 50 million for refusal to provide requested information or also up to a maximum amount of 10% of an entity’s prior year’s revenue for a breach of the law.

b. Proceedings by the European Commission related to broadband access

On 6 September 2013, the Registrar of the General Court informed that the written stage of the appeal procedure was closed. TP S.A. has not yet been notified on any scheduled hearing date.

The Management assesses the matters related to the European Commission decision on a regular basis taking into account their developments.

c. Proceedings by the tax authorities

The Fiscal Audit Office completed a control relating to TP S.A.’s year 2009 and, on 16 April 2013, issued a protocol. A protocol does not end the audit proceedings and does not decide on the obligations of the Company. The protocol raises certain questions as regards tax settlements made. The Company filed its objections to this on 30 April 2013. The Company believes that the issues raised by the Fiscal Audit Office as regards tax settlements are without merit.

This opinion is supported by external tax advisors. Based on the Company's assessment the possibility of an ultimate outflow of resources is remote.

d. Other contingent liabilities and provisions

Apart from the above mentioned, operational activities of the Group are subject to legal and administrative regulations and the Group is a party to a number of legal proceedings and commercial contracts related to its operational activities. The Group believes that adequate provisions have been recorded for known and quantifiable risks.

11. Related party transactions

As at 30 September 2013, Orange S.A. (previously France Telecom S.A.) owned 50.67% of shares of the Company and had the power to appoint the majority of TP S.A.'s Supervisory Board members. The Supervisory Board appoints and dismisses members of the Management Board.

The Group's income earned from the Orange Group (previously France Telecom Group) comprises mainly interconnect, research and development services, data transmission (and reimbursement of rebranding expenditures in 2012). The purchases from the Orange Group comprise mainly costs of interconnect and leased lines, network services, IT services, consulting services and brand fees.

Financial receivables, payables and financial expense concerning transactions with the Orange Group in 2013 relate to financing agreements (see Note 8). Financial income from Orange S.A. and cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement (see Note 8).

(in PLN millions)	*3 months*	*9 months*	*3 months*	*9 months*
	ended 30 September 2013		*ended 30 September 2012*	
Sales of goods, services and other income from:	**50**	**152**	**57**	**278**
Orange S.A. (parent)	34	103	36	99
Orange Group (excluding parent)	16	49	21	179
Purchases of goods (including inventories, tangible and intangible assets) and services from:	**(76)**	**(249)**	**(82)**	**(242)**
Orange S.A. (parent)	(27)	(80)	(23)	(88)
Orange Group (excluding parent)	(49)	(169)	(59)	(154)
- including Orange Brand Services Limited (brand licence agreement)	*(40)*	*(125)*	*(41)*	*(98)*
Financial income:	**1**	**1**	**-**	**-**
Orange S.A. (parent)	1	1	-	-
Financial expense, net: [(1)]	**(19)**	**(13)**	**-**	**(1)**
Orange S.A. (parent)	(43)	7	-	(1)
Orange Group (excluding parent)	24	(20)	-	-
Dividend paid:	**332**	**332**	**997**	**997**
Orange S.A. (parent)	332	332	997	997

[(1)] The impact on net financial expense amounting to PLN (13) million results from financing agreements with the Orange Group (see Note 8). It consists of PLN (20) million of foreign exchange losses and interest expense (including amortised fees) on loans from Atlas Services Belgium S.A. and PLN 7 million of foreign exchange gains and interest expense on cross currency interest rate swaps and interest rate swaps concluded with Orange S.A. to hedge exposure to foreign currency risk and interest rate risk related to the abovementioned loans.

(in PLN millions)	*At 30 September 2013*	*At 31 December 2012*
Receivables from:	**71**	**82**
Orange S.A. (parent)	50	47
Orange Group (excluding parent)	21	35
Payables to:	**103**	**116**
Orange S.A. (parent)	43	49
Orange Group (excluding parent)	60	67
Financial receivables from:	**18**	**-**
Orange S.A. (parent)	18	-
Cash and cash equivalents deposited with:	**57**	**-**
Orange S.A. (parent)	57	-
Financial payables to:	**1,694**	**-**
Orange S.A. (parent)	1	-
Orange Group (excluding parent)	1,693	-

Compensation (remuneration, bonuses and termination indemnities, including compensation under a competition prohibition clause - cash, benefits in kind or any other benefits) paid in accordance with contractual commitments to TP S.A.'s Management Board and Supervisory Board members during the 9 months ended 30 September 2013 and 2012 amounted to PLN 13.4 million and PLN 9.8 million, including PLN 0.7 million and PLN 1.4 million accrued in previous periods, respectively. During the 9 months ended 30 September 2013 and 2012, the amount of accrued cost of compensation for the Company's Management Board amounted to PLN 0.6 million and PLN 0.9 million, respectively.

On 10 September 2013, Mr Maciej Witucki submitted his resignation as the President of the Management Board of TP S.A. with effect on 19 September 2013.
On 19 September 2013, the Extraordinary General Meeting of TP S.A appointed Mr Maciej Witucki and Mr Jean-Marie Culpin as members of TP S.A.'s Supervisory Board. On the same day, TP S.A.'s Supervisory Board elected Mr Maciej Witucki as its Chairman and appointed Mr Bruno Duthoit as the President of the Management Board of TP S.A.

12. Subsequent events

There was no significant event after the end of the reporting period.

TELEKOMUNIKACJA POLSKA S.A.

CONDENSED IFRS QUARTERLY SEPARATE FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2013

October 21, 2013

Contents

INCOME STATEMENT

(in PLN millions, except for earnings per share)

	3 months ended 30 September 2013 (unaudited)	9 months ended 30 September 2013 (unaudited)	3 months ended 30 September 2012 (unaudited)	9 months ended 30 September 2012 (unaudited)
Revenue	**1,719**	**5,253**	**1,827**	**5,603**
External purchases	(788)	(2,411)	(819)	(2,716)
Labour expenses	(304)	(1,014)	(330)	(1,054)
Other operating expense	(110)	(315)	(104)	(273)
Other operating income	140	344	96	408
Gains on disposal of assets	10	29	3	23
Depreciation and amortisation	(549)	(1,661)	(558)	(1,689)
Impairment of non-current assets	(1)	(4)	(1)	(11)
Operating income	**117**	**221**	**114**	**291**
Dividend income	350	1,303	71	1,661
Interest income	62	192	73	226
Interest expense and other financial charges	(169)	(500)	(223)	(616)
Foreign exchange gains/(losses)	(27)	37	(50)	(56)
Discounting expense	(8)	(27)	(10)	(32)
Finance income/(costs), net	**208**	**1,005**	**(139)**	**1,183**
Income tax	(7)	(46)	21	34
Net income/(loss)	**318**	**1,180**	**(4)**	**1,508**
Earnings per share (in PLN) (basic and diluted)	**0.24**	**0.90**	**-**	**1.15**
Weighted average number of shares (in millions) (basic and diluted)	1,312	1,312	1,312	1,317

STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months ended 30 September 2013 (unaudited)	9 months ended 30 September 2013 (unaudited)	3 months ended 30 September 2012 (unaudited)	9 months ended 30 September 2012 (unaudited)
Net income/(loss)	**318**	**1,180**	**(4)**	**1,508**
Items that will not be reclassified to profit or loss				
Actuarial gains/(losses) on post-employment benefits	17	17	(10)	(10)
Income tax relating to items not reclassified	(3)	(3)	2	2
Items that may be reclassified subsequently to profit or loss				
Gains/(losses) on cash flow hedges	11	(12)	(8)	(7)
Income tax relating to items that may be reclassified	(2)	2	1	1
Other comprehensive income/(loss), net of tax	**23**	**4**	**(15)**	**(14)**
Total comprehensive income/(loss)	**341**	**1,184**	**(19)**	**1,494**

STATEMENT OF FINANCIAL POSITION

(in PLN millions)

	At 30 September 2013 *(unaudited)*	***At 31 December 2012*** *(audited)*
ASSETS		
Intangible assets	1,367	1,499
Property, plant and equipment	10,500	11,275
Investments in subsidiaries	7,195	7,196
Loans and receivables excluding trade receivables	2,220	2,501
Derivatives	18	127
Deferred tax assets	296	343
Total non-current assets	**21,596**	**22,941**
Inventories	46	55
Trade receivables	719	745
Loans and receivables excluding trade receivables	390	380
Derivatives	82	-
Other assets	429	207
Prepaid expenses	34	13
Cash and cash equivalents	101	223
Total current assets	**1,801**	**1,623**
TOTAL ASSETS	**23,397**	**24,564**
EQUITY AND LIABILITIES		
Share capital	3,937	4,007
Share premium	832	832
Treasury shares	-	(400)
Other reserves	(39)	(43)
Retained earnings	7,403	7,209
Total equity	**12,133**	**11,605**
Loans from related party	1,172	-
Financial liabilities at amortised cost excluding trade payables	2,241	5,418
Derivatives	1	283
Employee benefits	300	316
Provisions	135	143
Other liabilities	15	15
Deferred income	34	26
Total non-current liabilities	**3,898**	**6,201**
Loans from related party	521	-
Financial liabilities at amortised cost excluding trade payables	4,601	3,951
Derivatives	183	112
Trade payables	983	1,388
Employee benefits	119	139
Provisions	763	890
Income tax liability	14	67
Other liabilities	127	119
Deferred income	55	92
Total current liabilities	**7,366**	**6,758**
TOTAL EQUITY AND LIABILITIES	**23,397**	**24,564**

STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Treasury shares	Other reserves				Retained earnings	Total
				Hedging instruments	Actuarial losses on post-employment benefits	Deferred tax	Share-based payments		
Balance at 1 January 2012 *(audited)*	**4,007**	**832**	**(200)**	**11**	**(87)**	**14**	**68**	**7,994**	**12,639**
Total comprehensive income for the 9 months ended 30 September 2012	-	-	-	(7)	(10)	3	-	1,508	1,494
Purchase of treasury shares	-	-	(200)	-	-	-	-	-	(200)
Dividends	-	-	-	-	-	-	-	(1,969)	(1,969)
Balance at 30 September 2012 *(unaudited)*	**4,007**	**832**	**(400)**	**4**	**(97)**	**17**	**68**	**7,533**	**11,964**
Balance at 1 January 2013 *(audited)*	**4,007**	**832**	**(400)**	**(7)**	**(129)**	**25**	**68**	**7,209**	**11,605**
Total comprehensive income for the 9 months ended 30 September 2013	-	-	-	(12)	17	(1)	-	1,180	1,184
Redemption of treasury shares	(70)	-	400	-	-	-	-	(330)	-
Dividends	-	-	-	-	-	-	-	(656)	(656)
Balance at 30 September 2013 *(unaudited)*	**3,937**	**832**	**-**	**(19)**	**(112)**	**24**	**68**	**7,403**	**12,133**

STATEMENT OF CASH FLOWS

(in PLN millions)

	3 months	*9 months*	*3 months*	*9 months*
	ended 30 September 2013		*ended 30 September 2012*	
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
OPERATING ACTIVITIES				
Net income/(loss)	318	1,180	(4)	1,508
Adjustments to reconcile net income to cash from operating activities				
Depreciation and amortisation	549	1,661	558	1,689
Impairment of non-current assets	1	4	1	11
Gains on disposal of assets	(10)	(29)	(3)	(23)
Change in provisions	(27)	(168)	(27)	(2,250)
Income tax	7	46	(21)	(34)
Finance (income)/costs, net	(208)	(1,005)	139	(1,183)
Operational foreign exchange and derivatives (gains)/losses, net	(2)	2	1	(9)
Change in working capital (trade)				
Decrease in inventories	1	9	7	3
(Increase)/decrease in trade receivables	(20)	16	52	72
Decrease in trade payables	(22)	(104)	(140)	(419)
Change in working capital (non-trade)				
(Increase)/decrease in prepaid expenses and other receivables	16	91	76	(13)
Decrease in deferred income and other payables	(47)	(30)	(39)	(60)
Dividends received	-	953	-	1,228
Interest received	4	12	5	21
Interest and interest rates effect on derivatives paid, net	(49)	(409)	(84)	(453)
Exchange rate effect on derivatives, net	-	(21)	-	184
Income tax (paid)/received	(37)	(10)	-	34
Net cash provided by operating activities	**474**	**2,198**	**521**	**306**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(235)	(800)	(285)	(907)
Decrease in amounts due to fixed assets suppliers	(81)	(305)	(293)	(724)
Exchange rate effect on derivatives economically hedging capital expenditures, net	1	2	-	(1)
Proceeds from sale of property, plant and equipment and intangible assets	9	39	6	41
Decrease in receivables related to leased fixed assets	4	7	2	6
Proceeds from sale of subsidiaries	16	16	-	-
Cash received from/(paid for) investments in subsidiaries	-	(11)	-	9
(Increase)/decrease in loans and other financial assets	8	15	(2)	(3)
Exchange rate effect on other derivatives, net	10	5	(2)	12
Net cash used in investing activities	**(268)**	**(1,032)**	**(574)**	**(1,567)**
FINANCING ACTIVITIES				
Issuance of long-term debt	-	1,172	-	-
Repayment of long-term debt	(394)	(920)	(509)	(640)
Increase/(decrease) in short-term debt	758	(879)	2,173	1,764
Purchase of treasury shares	-	-	-	(200)
Exchange rate effect on hedging instruments, net	2	(2)	-	(4)
Dividends paid	(656)	(656)	(1,969)	(1,969)
Net cash used in financing activities	**(290)**	**(1,285)**	**(305)**	**(1,049)**
Net change in cash and cash equivalents	**(84)**	**(119)**	**(358)**	**(2,310)**
Effect of changes in exchange rates and other impacts on cash and cash equivalents	(3)	(3)	(1)	(5)
Cash and cash equivalents at the beginning of the period	188	223	628	2,584
Cash and cash equivalents at the end of the period	**101**	**101**	**269**	**269**

1. Telekomunikacja Polska S.A.

Telekomunikacja Polska S.A. ("Telekomunikacja Polska" or "the Company" or "TP S.A."), a joint stock company, was incorporated and commenced its operations on 4 December 1991.

The Company is the principal supplier of telecommunications services in Poland. Telekomunikacja Polska provides fixed-line telephony services (local, domestic and international calls), Integrated Services Digital Network ("ISDN"), fixed access to the Internet, TV and Voice over Internet Protocol ("VoIP"). In addition, the Company provides leased lines and other telecommunications value added services, sells telecommunications equipment, provides data transmission, multimedia services and various Internet services. Telekomunikacja Polska provides telecommunications services on the basis of entry number 1 in the register of telecommunications companies maintained by the President of Office of Electronic Communication ("UKE").

Telekomunikacja Polska's registered office is located in Warsaw at 18 Twarda St.

On 9 September 2013, Management Boards of Telekomunikacja Polska and its fully owned subsidiaries – Polska Telefonia Komórkowa-Centertel Sp. z o.o. and Orange Polska Sp. z o.o. – approved a formal plan of merger. The plan will be presented for approval at the Extraordinary General Meeting of TP S.A. on 7 November 2013.

2. Statement of compliance and basis for preparation

<u>Basis for preparation</u>

These unaudited Condensed Quarterly Separate Financial Statements (the "Quarterly Separate Financial Statements") are prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting ("IAS 34") and with all accounting standards applicable to interim financial reporting adopted by the European Union, issued and effective as at the time of preparing the Quarterly Separate Financial Statements (see also Note 3).

These Quarterly Separate Financial Statements should be read in conjunction with the audited Telekomunikacja Polska S.A. IFRS Separate Financial Statements and the notes thereto ("IFRS Separate Financial Statements") for the year ended 31 December 2012.

The Quarterly Separate Financial Statements include the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and selected explanatory notes.

Costs that arise unevenly during the year are anticipated or deferred in the quarterly financial statements only if it would also be appropriate to anticipate or defer such costs at the end of the year.

These Quarterly Financial Statements are prepared in millions of Polish zloty ("PLN") and were authorised for issuance by the Management Board on 21 October 2013.

<u>Adoption of standards in 2013</u>

The following standards endorsed by the European Union were adopted by the Company as at 1 January 2013:

- IFRS 10 "Consolidated Financial Statements". This standard has been endorsed by the European Union and it is applicable for financial years beginning on or after 1 January 2014, with early application permitted;
- IFRS 11 "Joint Arrangements". This standard has been endorsed by the European Union and it is applicable for financial years beginning on or after 1 January 2014, with early application permitted;
- IFRS 12 "Disclosure of Interests in Other Entities". This standard has been endorsed by the European Union and it is applicable for financial years beginning on or after 1 January 2014, with early application permitted;
- IFRS 13 "Fair Value Measurement". This standard has been endorsed by the European Union and it is applicable for financial years beginning on or after 1 January 2013.

Adoption of the standards presented above did not result in any significant changes to the Company's accounting policies and to the presentation of the financial statements.

Standards and interpretations issued but not yet adopted

Management has not opted for early and full application of the following standard and interpretation (in the process of being endorsed by the European Union):

- IFRS 9 "Financial Instruments" applicable for financial years beginning on or after 1 January 2015. This standard has not been endorsed by the European Union;
- IFRIC 21 "Levies" applicable for financial years beginning on or after 1 January 2014. This interpretation has not been endorsed by the European Union.

Management is currently analysing the practical consequences of this new standard and interpretation and the effect of their application on the financial statements.

3. Statement of accounting policies

The accounting policies and methods of computation used in the preparation of the Quarterly Separate Financial Statements are consistent with those described in the audited IFRS Separate Financial Statements for the year ended 31 December 2012 (see Notes 2 and 28 to IFRS Separate Financial Statements for the year ended 31 December 2012).

4. Explanatory comments about the seasonality or cyclicality of interim operations

The Company's activities are not subject to any significant seasonality or cyclical trends of operations.

5. Changes in investments in subsidiaries

The list of subsidiaries of the Company as at and for the 9 months ended 30 September 2013 is presented in the Note 16.1 to the IFRS Separate Financial Statements for the year ended 31 December 2012.

On 15 March 2013, the Company purchased a 100% shareholding in Datacom System S.A. – a provider of integrated IT services. The purchase price amounted to PLN 13 million, of which PLN 11 million was paid and PLN 2 million will be paid after one year. On 2 April 2013 the shareholding in Datacom System S.A. was contributed in kind to Integrated Solutions Sp. z o.o., a fully owned subsidiary.

On 9 July 2013, the Company concluded a share sale agreement with a private equity fund under which the 100% shareholding in Otwarty Rynek Elektroniczny S.A. was disposed of for a total consideration amounting to PLN 16 million.

6. Items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

The amount of cash flows from operating activities for the 9 months ended 30 September 2012 includes the effect of the settlement agreement with DPTG resulting in a payment of EUR 550 million (PLN 2,449 million).

7. Redemption of treasury shares and issuance of TP S.A. short term bonds

Redemption of treasury shares

On 11 April 2013, the General Meeting of TP S.A. adopted resolutions on the redemption of 23,291,542 own shares acquired by the Company in 2012 and 2011 for a total consideration of PLN 400 million and on the reduction of the Company's share capital from PLN 4,007 million to PLN 3,937 million (registered by the Registry Court on 18 June 2013).

Issuance of TP S.A. short term bonds under Bond Issuance Programme

In the 9 months ended 30 September 2013, TP S.A. issued and redeemed short-term bonds to its subsidiaries under the TP S.A. Bond Issuance Programme of 15 July 2002. The bonds are denominated in PLN and have been offered by private placement, exclusively within the territory of the Republic of Poland. The bonds have been issued as non-material unsecured bearer discount bonds (zero-coupon bonds). The bonds are redeemed at their par value. TP S.A. does not anticipate introducing the bonds into public trading.

In the 9 months ended 30 September 2013, the net cash flows on the bonds amounted to PLN (288) million. As a result of the issues and redemptions, the aggregate par value of the outstanding bonds issued under the programme amounted to PLN 1,140 million as at 30 September 2013.

8. Changes in credit facilities

On 17 April 2013, TP S.A. and Atlas Services Belgium S.A., a subsidiary of Orange S.A. (previously France Telecom S.A.) concluded a Revolving Credit Facility Agreement for up to EUR 250 million (available in EUR and PLN) and a Credit Facility Agreement for up to EUR 400 million. As at 30 September 2013, the outstanding balances under the Revolving Credit Facility Agreement and the Credit Facility Agreement amounted to PLN 517 million and EUR 280 million (PLN 1,176 million), respectively, including accrued interest. The repayment date of both agreements is 31 March 2016.

TP S.A. concluded also an agreement with Orange S.A. concerning derivative transactions to hedge exposure to foreign currency risk and interest rate risk related to the financing provided in EUR. The nominal amount of cross currency interest rate swaps and interest rate swaps outstanding under the agreement as at 30 September 2013 was EUR 280 million and PLN 200 million with fair value amounting to PLN 16 million and PLN 1 million, respectively.

As at 30 September 2013, the weighted average effective interest rate on the abovementioned credit facilities amounted to 1.55% in EUR (before swaps) and 3.95% in PLN (after swaps).

Additionally, TP S.A. concluded a Cash Management Treasury Agreement with Orange S.A. enabling the Group to deposit its cash surpluses with Orange S.A. and giving access to back-up liquidity funding with headroom up to PLN 1.75 billion. Such deposits are classified as cash and cash equivalents in the statement of financial position and in the statement of cash flows.

Financial terms of the above agreements are based on normal market terms.

On 8 May 2013, TP S.A. terminated a PLN 2 billion Revolving Credit Facility Agreement signed in 2010 with Bank Handlowy S.A. (syndicated) and repaid the outstanding balance (PLN 1,139 million as at 31 December 2012).

9. Dividends

On 11 April 2013, the General Meeting of TP S.A. adopted a resolution on the payment of an ordinary dividend of PLN 0.50 per share from the 2012 profit. Total dividend, paid on 11 July 2013, amounted to PLN 656 million.

10. Changes in major litigation and claims, contingent liabilities and contingent assets since the end of the last annual reporting period

The information hereunder refers to the matters presented in Note 25.c-d to the IFRS Separate Financial Statements for the year ended 31 December 2012 or describes major matters that occurred after 31 December 2012.

a. Proceedings by UKE and UOKiK

Proceedings by UKE related to broadband access
With respect to the appeal proceedings concerning the annulled PLN 339 million fine, on 6 March 2013, the Supreme Court refused to examine the cassation appeal lodged by UKE. That decision ended the appeal procedure on the fine imposed by UKE on TP S.A. in 2007.
With respect to the appeal proceedings concerning the annulled PLN 100 million fine, on 2 July 2013, the Supreme Court refused to examine the cassation appeal lodged by UKE. That decision ended the appeal procedure on the fine imposed by UKE on TP S.A. in 2006.

Proceedings by UOKiK related to IP traffic
After subsequent stages of the appeal procedure, the Court of Appeal, on 9 April 2013, dismissed both appeals filed by UOKiK and TP S.A. against the verdict of SOKiK of 11 April 2011 reducing the fine imposed on the Company from PLN 75 million to PLN 38 million. The verdict of SOKiK lowering the fine is binding. TP S.A. paid the fine in May 2013 and lodged a cassation appeal to the Supreme Court against the decision of the Court of Appeal of 9 April 2013.

b. Proceedings by the European Commission related to broadband access

On 6 September 2013, the Registrar of the General Court informed that the written stage of the appeal procedure was closed. TP S.A. has not yet been notified on any scheduled hearing date.

The Management assesses the matters related to the European Commission decision on a regular basis taking into account their developments.

c. Proceedings by the tax authorities

The Fiscal Audit Office completed a control relating to TP S.A.'s year 2009 and, on 16 April 2013, issued a protocol. A protocol does not end the audit proceedings and does not decide on the obligations of the Company. The protocol raises certain questions as regards tax settlements made. The Company filed its objections to this on 30 April 2013. The Company believes that the issues raised by the Fiscal Audit Office as regards tax settlements are without merit. This opinion is supported by external tax advisors. Based on the Company's assessment the possibility of an ultimate outflow of resources is remote.

d. Other contingent liabilities and provisions

Apart from the above mentioned, operational activities of the Company are subject to legal and administrative regulations and the Company is a party to a number of legal proceedings and commercial contracts related to its operational activities. The Company believes that adequate provisions have been recorded for known and quantifiable risks.

e. Guarantees

As at 30 September 2013 and 31 December 2012, total guarantees granted by Telekomunikacja Polska S.A. to purchasers of debt securities denominated in EUR and issued by a subsidiary amounted to PLN 3,015 million and PLN 2,967 million, respectively.

11. Related party transactions

As at 30 September 2013, Orange S.A. (previously France Telecom S.A.) owned 50.67% of shares of the Company and had the power to appoint the majority of TP S.A.'s Supervisory Board members. The Supervisory Board appoints and dismisses members of the Management Board.

TP S.A.'s income earned from its subsidiaries comprises mainly leased lines and interconnect, data transmission, property rental and related fees and fees for distribution of products through its own sales network. The purchases from the subsidiaries comprise mainly customer support and management services, selling fees, costs of interconnect, leased lines, network services, consulting services and property rental and related fees. Costs incurred by the Company in transactions with its subsidiaries also comprise donations to Fundacja Orange.

Income earned from the Orange Group (previously France Telecom Group) comprises mainly research and development services, interconnect, data transmission (and reimbursement of rebranding expenditures in 2012). The purchases from the Orange Group comprise mainly costs of leased lines, interconnect, network services, IT services, consulting services and brand fees.

TP S.A.'s financial income earned from its subsidiaries comprises dividends, interest on bonds issued by subsidiaries and interest on loans granted to subsidiaries. Financial costs incurred by TP S.A. in transactions with related parties mainly comprise interest on bonds issued to the subsidiaries, interest on loans from the subsidiaries. The Company's financial receivables from its related parties mainly comprise bonds issued by subsidiaries, unpaid dividends from and loans granted to the subsidiaries, together with accrued interests. Financial payables to related parties comprise bonds issued to the subsidiaries and loans from the subsidiaries, together with accrued interests.

Financial receivables, payables and financial expense concerning transactions with the Orange Group in 2013 relate to financing agreements (see Note 8). Financial income from Orange S.A. and cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement (see Note 8).

(in PLN millions)	*3 months*	*9 months*	*3 months*	*9 months*
	ended 30 September 2013		*ended 30 September 2012*	
Sales of goods, services and other income from:	**382**	**1,111**	**340**	**1,081**
TP Group (subsidiaries)	335	969	288	817
Orange Group	47	142	52	264
- Orange S.A. (parent)	30	96	33	92
- Orange Group (excluding parent)	17	46	19	172
Purchases of goods (including inventories, tangible and intangible assets) and services from:	**(323)**	**(993)**	**(302)**	**(997)**
TP Group (subsidiaries)	(281)	(850)	(259)	(875)
Orange Group	(42)	(143)	(43)	(122)
- Orange S.A. (parent)	(17)	(58)	(15)	(66)
- Orange Group (excluding parent)	(25)	(85)	(28)	(56)
- including Orange Brand Services Limited (brand licence agreement)	*(15)*	*(47)*	*(14)*	*(14)*
Financial income:	**411**	**1,489**	**140**	**1,869**
TP Group (subsidiaries)	410	1,488	140	1,869
Orange S.A. (parent)	1	1	-	-
Financial expense, net:	**(127)**	**(350)**	**(122)**	**(385)**
TP Group (subsidiaries)	(108)	(337)	(122)	(384)
Orange Group [1]	(19)	(13)	-	(1)
- Orange S.A. (parent)	(43)	7	-	(1)
- Orange Group (excluding parent)	24	(20)	-	-
Dividend paid:	**332**	**332**	**997**	**997**
Orange S.A. (parent)	332	332	997	997

[1] The impact on net financial expense amounting to PLN (13) million results from financing agreements with the Orange Group (see Note 8). It consists of PLN (20) million of foreign exchange losses and interest expense (including amortised fees) on loans from Atlas Services Belgium S.A. and PLN 7 million of foreign exchange gains and interest expense on cross currency interest rate swaps and interest rate swaps concluded with Orange S.A. to hedge exposure to foreign currency risk and interest rate risk related to the abovementioned loans.

(in PLN millions)	*At 30 September 2013*	*At 31 December 2012*
Receivables from:	**292**	**298**
TP Group (subsidiaries)	245	241
Orange Group	47	57
- Orange S.A. (parent)	38	41
- Orange Group (excluding parent)	9	16
Payables to:	**297**	**335**
TP Group (subsidiaries)	236	268
Orange Group	61	67
- Orange S.A. (parent)	30	36
- Orange Group (excluding parent)	31	31
Financial receivables from:	**2,957**	**2,920**
TP Group (subsidiaries)	2,939	2,920
Orange S.A. (parent)	18	-
Cash and cash equivalents deposited with:	**57**	**-**
Orange S.A. (parent)	57	-
Financial payables to:	**8,383**	**7,169**
TP Group (subsidiaries)	6,689	7,169
Orange Group	1,694	-
- Orange S.A. (parent)	1	-
- Orange Group (excluding parent)	1,693	-

Compensation (remuneration, bonuses and termination indemnities, including compensation under a competition prohibition clause - cash, benefits in kind or any other benefits) paid in accordance with contractual commitments to TP S.A.'s Management Board and Supervisory Board members during the 9 months ended 30 September 2013 and 2012 amounted to PLN 13.4 million and PLN 9.8 million, including PLN 0.7 million and PLN 1.4 million accrued in previous periods, respectively. During the 9 months ended 30 September 2013 and 2012, the amount of accrued cost of compensation for the Company's Management Board amounted to PLN 0.6 million and PLN 0.9 million, respectively.

On 10 September 2013, Mr Maciej Witucki submitted his resignation as the President of the Management Board of TP S.A. with effect on 19 September 2013.
On 19 September 2013, the Extraordinary General Meeting of TP S.A appointed Mr Maciej Witucki and Mr Jean-Marie Culpin as members of TP S.A.'s Supervisory Board. On the same day, TP S.A.'s Supervisory Board elected Mr Maciej Witucki as its Chairman and appointed Mr Bruno Duthoit as the President of the Management Board of TP S.A.

12. Subsequent events

There was no significant event after the end of the reporting period.