☐ - restated

POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the third quarter of 2011

(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)
for the issuers in sectors of production, construction, trade or services

for the **third quarter** of **2011**, i.e. **from 1 January 2011 to 30 September 2011**

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: **26 October 2011**

TELEKOMUNIKACJA POLSKA SA
(full name of issuer)

TPSA (abbreviated name of the issuer)
Telecommunication (tel) (classification according to WSE/ sector)

00-105 (post code)
Warsaw (location)

Twarda (street)
18 (number)

22 527 23 23 (telephone)
22 527 23 41 (fax)

investor.relations@telekomunikacja.pl (e-mail)
telekomunikacja.pl (www)

526-02-50-995 (NIP)
012100784 (REGON)

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	3 quarter cumulative period from 01/01/2011 to 30/09/2011	3 quarter cumulative period from 01/01/2010 to 30/09/2010	3 quarter cumulative period from 01/01/2011 to 30/09/2011	3 quarter cumulative period from 01/01/2010 to 30/09/2010
condensed consolidated financial statements data				
I. Revenue	11 198 000	11 758 000	2 770 891	2 937 517
II. Operating income	2 018 000	478 000	499 344	119 419
III. Profit before income tax	1 687 000	137 000	417 440	34 227
IV. Consolidated net income/(loss)	1 560 000	(110 000)	386 014	(27 481)
V. Net income/(loss) attributable to owners of TP S.A.	1 559 000	(111 000)	385 767	(27 731)
VI. Earnings/(loss) per share (in PLN/EUR) (basic and diluted)	1.17	(0.08)	0.29	(0.02)
VII. Weighted average number of shares (in millions) (basic and diluted)	1 336	1 336	1 336	1 336
VIII. Total comprehensive income/(loss)	1 584 000	(139 000)	391 953	(34 727)
IX. Total comprehensive income/(loss) attributable to owners of TP S.A.	1 583 000	(140 000)	391 706	(34 976)
X. Net cash provided by operating activities	3 717 000	3 467 000	919 754	866 165
XI. Net cash used in investing activities	(567 000)	(1 431 000)	(140 301)	(357 509)
XII. Net cash used in financing activities	(3 347 000)	(2 165 000)	(828 199)	(540 885)
XIII. Total net change in cash and cash equivalents	(201 000)	(129 000)	(49 736)	(32 228)
	balance as at 30/09/2011	balance as at 31/12/2010	balance as at 30/09/2011	balance as at 31/12/2010
XIV. Total current assets	4 747 000	4 762 000	1 076 124	1 202 434
XV. Total non-current assets	22 221 000	24 111 000	5 037 405	6 088 175
XVI. Total assets	26 968 000	28 873 000	6 113 529	7 290 609
XVII. Total current liabilities	7 095 000	8 145 000	1 608 406	2 056 662
XVIII. Total non-current liabilities	5 659 000	6 094 000	1 282 871	1 538 772
XIX. Total equity	14 214 000	14 634 000	3 222 252	3 695 175
XX. Equity attributable to owners of TP S.A.	14 200 000	14 620 000	3 219 079	3 691 640
XXI. Share capital	4 007 000	4 007 000	908 370	1 011 792
condensed separate financial statements data				
	3 quarter cumulative period from 01/01/2011 to 30/09/2011	3 quarter cumulative period from 01/01/2010 to 30/09/2010	3 quarter cumulative period from 01/01/2011 to 30/09/2011	3 quarter cumulative period from 01/01/2010 to 30/09/2010
I. Revenue	5 877 000	6 377 000	1 454 235	1 593 175
II. Operating income/(loss)	1 111 000	(350 000)	274 912	(87 441)
III. Profit before income tax	1 844 000	988 000	456 289	246 833
IV. Net income	1 865 000	880 000	461 485	219 852
V. Earnings per share (in PLN/EUR) (basic and diluted)	1.40	0.66	0.35	0.16
VI. Weighted average number of shares (in millions) (basic and diluted)	1 336	1 336	1 336	1 336
VII. Total comprehensive income	1 868 000	862 000	462 228	215 355
VIII. Net cash provided by operating activities	2 118 000	2 682 000	524 089	670 048
IX. Net cash used in investing activities	(1 419 000)	(685 000)	(351 125)	(171 134)
X. Net cash used in financing activities	(1 585 000)	(2 012 000)	(392 201)	(502 661)
XI. Total net change in cash and cash equivalents	(890 000)	(15 000)	(220 226)	(3 747)
	balance as at 30/09/2011	balance as at 31/12/2010	balance as at 30/09/2011	balance as at 31/12/2010
XII. Total current assets	5 417 000	3 658 000	1 228 011	923 667
XIII. Total non-current assets	23 529 000	24 959 000	5 333 923	6 302 300
XIV. Total assets	28 946 000	28 617 000	6 561 933	7 225 968
XV. Total current liabilities	8 612 000	7 420 000	1 952 303	1 873 595
XVI. Total non-current liabilities	7 569 000	8 297 000	1 715 860	2 095 043
XVII. Total equity	12 765 000	12 900 000	2 893 770	3 257 329
XVIII. Share capital	4 007 000	4 007 000	908 370	1 011 792

TELEKOMUNIKACJA POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2011

Contents

CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for share data)

	3 months	*9 months*	*3 months*	*9 months*
	ended 30 September 2011		*ended 30 September 2010*	
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	**3,679**	**11,198**	**3,898**	**11,758**
External purchases	(1,676)	(5,146)	(1,754)	(5,278)
Labour expenses	(477)	(1,564)	(522)	(1,680)
Other operating expense	(266)	(1,113)	(183)	(572)
Other operating income	136	307	41	130
Gains on disposal of assets	6	21	20	34
Gain on disposal of TP Emitel (Note 5.1)	-	1,188	-	-
Dispute with DPTG (Note 8.b)	-	-	(1,061)	(1,061)
Depreciation and amortization	(900)	(2,867)	(941)	(2,847)
Impairment of non-current assets	(2)	(6)	(1)	(6)
Operating income/(loss)	**500**	**2,018**	**(503)**	**478**
Interest income	14	79	16	63
Interest expense and other financial charges	(82)	(340)	(133)	(359)
Foreign exchange gains/(losses)	(8)	4	5	16
Discounting expense	(35)	(74)	(16)	(61)
Finance costs, net	**(111)**	**(331)**	**(128)**	**(341)**
Income tax	(13)	(127)	(89)	(247)
Consolidated net income/(loss)	**376**	**1,560**	**(720)**	**(110)**
Net income/(loss) attributable to owners of TP S.A.	376	1,559	(720)	(111)
Net income attributable to non-controlling interests	-	1	-	1
Earnings/(loss) per share (in PLN) (basic and diluted)	**0.28**	**1.17**	**(0.54)**	**(0.08)**
Weighted average number of shares (in millions) (basic and diluted)	1,336	1,336	1,336	1,336

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months	*9 months*	*3 months*	*9 months*
	ended 30 September 2011		*ended 30 September 2010*	
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Consolidated net income/(loss)	**376**	**1,560**	**(720)**	**(110)**
Gains/(losses) on cash flow hedges	36	23	(26)	(13)
Actuarial gains/(losses) on post-employment benefits	2	6	(20)	(21)
Income tax relating to components of other comprehensive income	(8)	(6)	7	5
Translation adjustment	1	1	(2)	-
Other comprehensive income/(loss), net of tax	**31**	**24**	**(41)**	**(29)**
Total comprehensive income/(loss)	**407**	**1,584**	**(761)**	**(139)**
Total comprehensive income/(loss) attributable to owners of TP S.A.	407	1,583	(761)	(140)
Total comprehensive income attributable to non-controlling interests	-	1	-	1

CONSOLIDATED BALANCE SHEET

(in PLN millions)

	At 30 September 2011 (unaudited)	*At 31 December 2010 (audited)*
ASSETS		
Goodwill	4,016	4,016
Other intangible assets	2,828	2,861
Property, plant and equipment	14,605	16,500
Investments accounted for using the equity method	15	3
Financial assets available for sale	4	4
Loans and receivables excluding trade receivables	13	22
Financial assets at fair value through profit or loss	77	52
Hedging derivatives	133	50
Deferred tax assets	530	603
Total non-current assets	**22,221**	**24,111**
Inventories	185	272
Trade receivables	1,569	1,637
Loans and receivables excluding trade receivables	9	10
Financial assets at fair value through profit or loss	298	28
Hedging derivatives	26	1
Income tax assets	109	7
Other assets	207	266
Prepaid expenses	98	94
Cash and cash equivalents	2,246	2,447
Total current assets	**4,747**	**4,762**
TOTAL ASSETS	**26,968**	**28,873**
EQUITY AND LIABILITIES		
Share capital	4,007	4,007
Share premium	832	832
Other reserves	50	27
Translation adjustment	(5)	(6)
Retained earnings	9,316	9,760
Equity attributable to owners of TP S.A.	**14,200**	**14,620**
Non-controlling interests	14	14
Total equity	**14,214**	**14,634**
Financial liabilities at amortised cost excluding trade payables	4,177	4,456
Financial liabilities at fair value through profit or loss	26	90
Hedging derivatives	47	191
Trade payables	811	751
Employee benefits	311	342
Provisions	218	189
Deferred tax liabilities	-	9
Other liabilities	15	-
Deferred income	54	66
Total non-current liabilities	**5,659**	**6,094**
Financial liabilities at amortised cost excluding trade payables	811	1,547
Financial liabilities at fair value through profit or loss	-	55
Hedging derivatives	1	54
Trade payables	2,304	3,156
Employee benefits	219	266
Provisions	3,007	2,242
Income tax payable	23	72
Other liabilities	191	220
Deferred income	539	533
Total current liabilities	**7,095**	**8,145**
TOTAL EQUITY AND LIABILITIES	**26,968**	**28,873**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Number of shares in issue (not in millions)	Share capital	Share premium	Other reserves				Translation adjustment	Retained earnings	Total	Non-controlling interests	Total equity
				Hedging instruments	Actuarial losses on post-employment benefits	Deferred tax	Share-based payments					
Balance at 1 January 2010 *(audited)*	**1 335 649 021**	**4,007**	**832**	**20**	**(50)**	**5**	**75**	**(6)**	**11,656**	**16,539**	**14**	**16,553**
Total comprehensive loss for the 9 months ended 30 September 2010		-	-	(13)	(21)	5	-	-	(111)	(140)	1	(139)
Share-based payments		-	-	-	-	-	6	-	-	6	-	6
Dividends		-	-	-	-	-	-	-	(2,003)	(2,003)	(1)	(2,004)
Balance at 30 September 2010 *(unaudited)*	**1 335 649 021**	**4,007**	**832**	**7**	**(71)**	**10**	**81**	**(6)**	**9,542**	**14,402**	**14**	**14,416**
Balance at 1 January 2011 *(audited)*	**1 335 649 021**	**4,007**	**832**	**2**	**(66)**	**12**	**79**	**(6)**	**9,760**	**14,620**	**14**	**14,634**
Total comprehensive income for the 9 months ended 30 September 2011		-	-	23	6	(6)	-	1	1,559	1,583	1	1,584
Dividends		-	-	-	-	-	-	-	(2,003)	(2,003)	(1)	(2,004)
Balance at 30 September 2011 *(unaudited)*	**1 335 649 021**	**4,007**	**832**	**25**	**(60)**	**6**	**79**	**(5)**	**9,316**	**14,200**	**14**	**14,214**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)

	3 months ended 30 September 2011	***9 months ended 30 September 2011***	***3 months ended 30 September 2010***	***9 months ended 30 September 2010***
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
OPERATING ACTIVITIES				
Consolidated net income/(loss)	376	1,560	(720)	(110)
Adjustments to reconcile net income/(loss) to funds generated from operations				
Depreciation and amortization	900	2,867	941	2,847
Impairment of non-current assets	2	6	1	6
Gains on disposal of assets	(6)	(1,209)	(20)	(34)
Change in provisions	(73)	398	1,081	1,086
Income tax	13	127	89	247
Finance costs, net excluding realised exchange rate effect on cash and cash equivalents	97	328	135	361
Operational foreign exchange and derivatives (gains)/losses, net	62	65	(1)	5
Share-based payments	-	-	2	6
Change in working capital (trade)				
Decrease/(increase) in inventories	35	87	(11)	26
Decrease/(increase) in trade receivables	105	72	24	(185)
Increase/(decrease) in trade payables	(17)	(48)	62	13
Change in working capital (non-trade)				
Decrease/(increase) in prepaid expenses and other receivables	(16)	33	(18)	(56)
Increase/(decrease) in accrued expenses, other payables and deferred income	(51)	(38)	(81)	(64)
Interest received	15	83	16	63
Interest and interest rate effect on derivatives paid, net	(136)	(429)	(143)	(487)
Exchange rate effect on derivatives, net	28	21	3	(51)
Income tax paid	(123)	(206)	(82)	(206)
Net cash provided by operating activities	**1,211**	**3,717**	**1,278**	**3,467**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(432)	(1,357)	(597)	(1,312)
Increase/(decrease) in amounts due to fixed assets suppliers	(205)	(881)	153	(146)
Proceeds from sale of property, plant and equipment and intangible assets	19	37	25	51
Proceeds from sale of subsidiaries, net of cash	-	1,637	-	-
Proceeds from sale of investments accounted for using the equity method	3	3	-	-
Cash paid for investments accounted for using the equity method	(15)	(15)	-	-
Decrease/(increase) in marketable securities and other financial assets	3	6	1	(6)
Exchange rate effect on derivatives, net	2	3	(6)	(18)
Net cash used in investing activities	**(625)**	**(567)**	**(424)**	**(1,431)**
FINANCING ACTIVITIES				
Redemption of bonds	(1,189)	(1,189)	-	-
Repayment of long-term debt	(2)	(113)	(4)	(120)
Decrease in bank overdrafts and other short-term borrowings	(2)	(5)	-	(1)
Dividends paid	(2,004)	(2,004)	(2,004)	(2,004)
Exchange rate effect on derivatives, net	(139)	(36)	27	(40)
Net cash used in financing activities	**(3,336)**	**(3,347)**	**(1,981)**	**(2,165)**
Net change in cash and cash equivalents	(2,750)	(197)	(1,127)	(129)
Effect of changes in exchange rates and other impacts on cash and cash equivalents	3	(4)	(2)	-
Cash and cash equivalents at the beginning of the period	4,993	2,447	3,218	2,218
Cash and cash equivalents at the end of the period	**2,246**	**2,246**	**2,089**	**2,089**

SEGMENT REVENUE AND SEGMENT RESULTS

For management purposes, the Group is organized into business units based on their products, and has two reportable operating segments as follows:

- Fixed line segment which includes entities offering predominantly telecom services based on fixed line technology and other companies offering services predominantly for those entities, and
- Mobile segment which includes entities offering predominantly telecom services based on mobile technology and other companies offering services predominantly for those entities.

Margin earned by Orange Customer Service Sp. z o.o. on intragroup transactions is eliminated from fixed and mobile segment data.

Segment performance is evaluated based on revenue, EBITDA, EBIT and capital expenditures. EBITDA corresponds to operating income before depreciation and amortization expense and reversal of impairment/impairment of goodwill and other non-current assets. EBIT corresponds to operating income.

Financing and income tax are managed on a group basis and are not allocated to operating segments.

Basic financial data on the business segments is presented below:

(in PLN millions)	Fixed line telecommunications	Mobile telecommunications	Eliminations and unallocated items	Consolidated
	9 months ended 30 September 2011			
Revenue:	6,230	5,770	(802)	11,198
External	5,629	5,569	-	11,198
Inter-segment	601	201	(802)	-
EBITDA before gain on disposal of TP Emitel	*1,924*	*1,779*	-	*3,703*
EBITDA	3,112	1,779	-	4,891
EBIT	1,315	703	-	2,018
Capital expenditures	967	390	-	1,357
	9 months ended 30 September 2010			
Revenue:	6,817	5,709	(768)	11,758
External	6,260	5,498	-	11,758
Inter-segment	557	211	(768)	-
EBITDA before dispute with DPTG	*2,710*	*1,682*	-	*4,392*
EBITDA	1,649	1,682	-	3,331
EBIT	(230)	708	-	478
Capital expenditures	1,000	315	-	1,315

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 services, including fixed-line telecommunications services (local calls and long distance calls – domestic and international), Integrated Services Digital Network ("ISDN"), voice mail, dial-up and 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 DCS 1800 and GSM 900 mobile telecommunications providers. PTK-Centertel also provides third generation UMTS services and services based on the CDMA technology. In addition, the Group provides leased lines and other telecommunications value added services, sells telecommunications equipment, electronic phone cards and provides data transmission, multimedia services and various Internet services.

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

2. Statement of compliance and basis for preparation

<u>Basis for preparation</u>

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 2010.

The Quarterly Consolidated Financial Statements include the consolidated balance sheet, 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 authorized for issuance by the Management Board on 25 October 2011.

<u>Adoption of standards, amendments to standards and interpretations which are compulsory as at 1 January 2011</u>

The following standards or amendments to standards and interpretations (already endorsed or in the process of being endorsed by the European Union) have become effective and are compulsory as at January 1, 2011:

- Amendments to IAS 32 "Financial Instruments: Presentation",
- Amendments to IAS 24 "Related Party Disclosures",
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments",
- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement",
- Improvements to International Financial Reporting Standards – a collection of amendments to IFRSs, the amendments are effective, in most cases, for annual periods beginning on or after 1 January 2011.

The adoption of the standards and interpretations presented above did not result in any significant changes to the Group'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 standards and interpretations (already endorsed or in the process of being endorsed by the European Union):

- IFRS 9 "Financial Instruments" applicable for financial years beginning on or after 1 January 2013. This standard has not been endorsed by the European Union,
- Amendments to IFRS 7 "Financial Instruments: Disclosures" applicable for financial years beginning on or after 1 July 2011. These amendments have not been endorsed by the European Union,
- IFRS 10 "Consolidated Financial Statements" applicable for financial years beginning on or after 1 January 2013. This standard has not been endorsed by the European Union,
- Amendments to IAS 27 "Separate financial statements" applicable for financial years beginning on or after 1 January 2013. These amendments have not been endorsed by the European Union,
- Amendments to IAS 28 "Investments in associates and joint ventures" applicable for financial years beginning on or after 1 January 2013. These amendments have not been endorsed by the European Union,
- IFRS 11 "Joint Arrangements" applicable for financial years beginning on or after 1 January 2013. This standard has not been endorsed by the European Union,
- IFRS 12 "Disclosure of Interests in Other Entities" applicable for financial years beginning on or after 1 January 2013. This standard has not been endorsed by the European Union,
- IFRS 13 "Fair Value Measurement" applicable for financial years beginning on or after 1 January 2013. This standard has not been endorsed by the European Union,
- Amendments to IAS 1 "Presentation of Financial Statements" applicable for financial years beginning on or after 1 July 2012. These amendments have not been endorsed by the European Union,
- Amendments to IAS 19 "Employee Benefits" applicable for financial years beginning on or after 1 January 2013. These amendments have not been endorsed by the European Union.

Management is currently analyzing the practical consequences of these new standards 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 Consolidated Financial Statements are consistent with those described in the audited Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2010 (see Notes 2 and 3 to Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2010).

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. The nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

5.1. The effect of changes in the composition of the Group during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations

The list of entities included in the Quarterly Consolidated Financial Statements as at and for the 9 months ended 30 September 2011 is presented in the Note 1.2 of the Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2010. Additionally, during the 9 months ended 30 September 2011, the Group incorporated Bilbo Sp. z o.o. and Integrated Solutions Sp. z o.o., fully owned subsidiaries, whose scope of activities comprises investment operations and provision of integrated IT and network services, respectively.

On 21 July 2011, the Group and Polska Telefonia Cyfrowa Sp. z o.o. ("PTC") signed an agreement on reciprocal use of radio access networks. The agreement has been signed for 15 years with an option to extend it.
On the same day, the parties also signed a shareholders agreement, which regulates the governance of NetWorkS! Sp. z o.o. - a jointly controlled entity incorporated in April 2011, in which the Group and PTC hold a 50% interest each and which conducts networks management, development and maintenance. In the Group Consolidated Financial Statements the investment in NetWorkS! Sp. z o.o. is accounted for using the equity method.

Gain on disposal of TP Emitel

On 22 June 2011, the Group and EM Bidco Sp. z o.o. concluded a share sale agreement under which the Group disposed of its 100% shareholding in TP Emitel Sp. z o.o. ("TP Emitel"), for a total consideration amounting to PLN 1,665 million, consisting of consideration received in cash amounting to PLN 1,737 million, decreased by liabilities assumed by the Group and transaction costs paid.

The Group derecognised the following TP Emitel's assets and liabilities:

(in PLN millions)

Assets:	**598**
- Property, plant and equipment	401
- Trade receivables	42
- Cash and cash equivalents	88
- Other	67
Liabilities:	**132**
- Trade payables	30
- Employee benefits	27
- Other	75
Net assets disposed of	**466**

Gain on disposal amounting to PLN 1,188 million is presented separately in the consolidated income statement.

If TP Emitel had not been a part of the Group during the presented periods, consolidated revenue for the 9 months ended 30 September 2011 and 2010 would be lower by PLN 154 million and PLN 219 million, respectively. Under the same assumption, consolidated net income for the 9 months ended 30 September 2011 and 2010 would be lower by PLN 65 million and PLN 71 million, respectively.

TP Emitel was included in the fixed line telecommunications operating segment.

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

Apart from the major litigation and claims described in Note 8, 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. As at 30 September 2011, the Management of the Group performed an assessment of risks of on-going and potential proceedings. As a result, the Group recognised provisions for known and quantifiable risks related to these proceedings, which represent the Group's best estimate of the amounts which are more likely than not to be paid. The actual amount of a penalty or a claim, if any, is dependent on a number of future events, the outcome of which is uncertain, and as a consequence, the amount of the provision may change at a future date. As a rule, the provisions are not disclosed on a case-by-case basis, as, in the opinion of the Management, such disclosure could prejudice the outcome of the pending cases.

Income tax expense for the 3 months ended 30 September 2011 includes the effect of new technologies tax relief recognition in the amount of PLN 108 million. The transaction of disposal of TP Emitel was tax neutral and the gain on disposal did not impact income tax expense.

6. Loan agreements and debt securities

On 5 July 2011, TPSA Eurofinance France S.A. redeemed at maturity bonds series T of the total nominal value of EUR 300 million which were issued on 5 July 2004.

7. Dividends paid (aggregate or per share) separately for ordinary shares and other shares

On 14 April 2011, the General Shareholders' Meeting of TP S.A. adopted a resolution on the payment of an ordinary dividend of PLN 1.50 per share, i.e. PLN 2,003 million. The dividend was paid on 7 July 2011.

8. Current status of major litigation and claims, contingent liabilities and contingent assets since the last annual balance sheet date

a. Proceedings by UKE, UOKiK and the European Commission

Proceedings by UKE related to broadband access
On 25 September 2006, UKE imposed a fine of PLN 100 million on TP S.A. for the infringement of the obligation to determine the price of the services on the basis of the cost of their provision and on clear, objective and non-discriminatory criteria, as a result of not implementing the offer to sell Neostrada (Internet services) separately from the fixed line subscription (allocating costs of local loop entirely to fixed line subscription).
On 22 February 2007, after TP S.A. had separated providing Neostrada from fixed line services, UKE imposed a fine of PLN 339 million on TP S.A. for non-performance of the regulatory obligation to submit its Neostrada price list for UKE's approval, and for failing to demonstrate that TP S.A. had met the requirements of the Polish Telecommunication Law that the price of services (in particular the additional charge for the maintenance of the local loop paid by the Neostrada customers who do not subscribe for TP S.A.'s traditional fixed-line analogue services on the same local loop) be based on their cost and determined on clear, objective and non-discriminatory criteria.
TP S.A. believes that UKE has no right to challenge the Neostrada price since it is not defined as a regulated service and that the criteria used for setting Neostrada price were transparent and objective.
TP S.A. did not pay either of these fines and appealed against these decisions to the Court of Competition and Consumer Protection ("SOKiK").
Both appeal proceedings were suspended by SOKiK in connection with, among other matters, the proceeding of the European Commission against the Republic of Poland at the European Court of Justice on attempts of UKE to regulate retail tariffs for broadband access services without carrying out a prior market analysis. On 6 May 2010 the European Court of Justice ruled that by regulating retail tariffs for broadband access services without carrying out a prior market analysis, Poland has failed to fulfil its obligations under the Universal Service Directive in conjunction with the Framework Directive.
After resumption of the appeal proceedings, SOKiK, on 18 April 2011, overruled the UKE's decision imposing the fine of PLN 339 million. UKE appealed against the SOKiK verdict to the Court of Appeal on 6 June 2011. On 12 July 2011, SOKiK annulled for the second time the fine of PLN 100 million. Justification is awaited from the Court. SOKiK invalidated the fine for the first time in 2007.

Proceedings by UOKiK related to IP traffic
On 20 December 2007, Office of Competition and Consumer Protection ("UOKiK") issued a decision concluding that TP S.A. had engaged in practices restricting competition when it downgraded IP traffic coming from domestic operators' networks to TP S.A.'s network via foreign operators' networks and imposed a fine of PLN 75 million on the Company. TP S.A. disagreed with the decision of UOKiK and did not pay the fine. On 2 January 2008, TP S.A. appealed to SOKiK against the decision. On 11 April 2011, SOKiK reduced the fine to the amount of PLN 38 million. TP S.A. appealed to the Court of Appeal on 20 June 2011 and UOKiK appealed on 19 August 2011.

Proceedings by UOKiK related to mobile television
On 21 September 2010, UOKiK initiated competition proceedings against PTK- Centertel, Polkomtel S.A., Polska Telefonia Cyfrowa Sp. z o.o. and P4 Sp. z o.o. claiming that they concluded an agreement regarding their relations with Info TV FM Sp. z o.o.
Info TV FM Sp. z o.o. is a telecommunications operator working in the field of radio diffusion and providing its services to radio and television broadcasters. 4MNO Sp. z o.o. (formerly Mobile TV Sp. z o.o.) is a company in

which the four above companies involved in the proceedings are shareholders. UOKiK gave its prior approval to set up Mobile TV Sp. z o.o. Both companies applied to UKE for a license to broadcast in the frequency band designed for the provision of audiovisual media services in DVB-H technology.
In March 2009, Info TV FM Sp. z o.o. was granted permission to use these frequencies. However, none of the four companies decided to introduce mobile television services to its customers.
UOKiK claims that there was an agreement concluded between the four companies involved in the proceedings and it could restrict competition on the domestic wholesale market for mobile television based on DVB-H technology, and, as a result, limit the possibility for consumers to use mobile television.
The Management Board of PTK-Centertel did not agree on common actions with the other companies aimed at restricting the introduction of DVB-H service based on the offer of Info TV FM Sp. z o.o. It decided not to introduce mobile television services due to the market situation and for commercial reasons.
PTK-Centertel provided explanations to UOKiK on 5 October 2010. On 5 October 2011, UOKiK notified PTK-Centertel on completion of the evidentiary procedure. The Group anticipates that UOKiK will issue its decision in the fourth quarter of 2011.
At this stage, the Group is not in a position to predict the evolution of these proceedings, and the risk related thereto is therefore classified as a contingent liability as defined by IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
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.

Proceedings by the European Commission related to broadband access
In September 2008, the European Commission conducted an inspection at the premises of TP S.A. and PTK-Centertel. The aim of the inspection was to gather evidence of a possible breach by TP S.A. of competition rules on the broadband Internet market. On 17 April 2009, the European Commission notified TP S.A. of initiation of proceedings on the supposed refusal to provide services and non-price discrimination on the Polish wholesale market of broadband access to the Internet. On 1 March 2010, TP S.A. received a Statement of Objections from the European Commission regarding an alleged abuse of dominant position, by refusing to supply access to its wholesale broadband services. The Company responded to the Statement of Objections and provided the European Commission with requested information. TP S.A. received from the European Commission the letter of facts dated 28 January 2011 presenting evidence collected after the issue of the Statement of Objections as well as findings of the European Commission. TP S.A. responded to the letter of facts on 7 March 2011.
On 22 June 2011, the European Commission imposed on TP S.A. a EUR 127.6 million fine (approximately PLN 508 million) for abuse of dominant position on the wholesale broadband access market, before October 2009. TP S.A. has recorded a provision for the whole amount of the fine.

The decision is not final and TP S.A., in liaison with its legal advisors, appealed against it to the General Court of the European Union on 2 September 2011. The Company strongly disagrees with the decision and the disproportionate level of the fine, particularly as it believes that the European Commission did not take into account several important factors. The situation on the wholesale broadband market has been systematically improving since 2007. By constructing and providing fixed broadband infrastructure, the Company has been effectively remedying the difficulties on the Polish broadband market and it has been increasing the penetration rate of the broadband services. The irregularities pointed out by the European Commission were voluntarily removed by the Company in the past.

In accordance with the decision the fine could have been provisionally paid or secured by a bank guarantee. On 27 September 2011, TP S.A. provided the bank guarantee to the European Commission. Based on previous similar cases, the judgment of the General Court should be delivered within the next two or three years. This judgment could be appealed to the Court of Justice by any of the parties.

b. Dispute with DPTG

Information on details of the proceedings between the Company and DPTG is presented in Note 31.d to the Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2010 and has been consistently referred to in the consolidated financial statements of the Group since 2001 together with the development of the case over the years.

In June 2008, the Arbitration Tribunal decided to split the case into two periods and to render firstly an award settling DPTG's rights for the period from February 1994 to June 2004. On 3 September 2010, the Tribunal issued its partial award for the period from February 1994 to June 2004 (Phase I). It settles DPTG's claims at DKK 2,946 million (approximately EUR 396 million) including interest. The partial award was issued after nine years of arbitration proceedings. During this time, TP S.A. consistently contested both the basis of the DPTG case and, in particular, its interpretation of the contract, as a joint-venture and its related broad interpretation of the financing sub-clause at the heart of the dispute (14.8% of the certain profit from NSL over a period of 15 years) as well as the amount claimed. According to TP S.A., the contract is a sale contract. The contract valued DPTG's supplies remaining to be paid at EUR 17 million. By 2006, DPTG had already received from TP S.A. over EUR 84 million in performance of the contract.

The partial award states that the contract is a sale contract but nevertheless awards DPTG an amount as if the contract was a joint-venture. TP S.A., its legal counsel and independent experts all believe that the amount awarded is many times higher than DPTG's rights and that the award is inconsistent. The Company's Management strongly disputes both the contractual basis of the claim and the amounts awarded. Given the amounts awarded for Phase I, and potentially for Phase II, and the lack of consistency of the award, it is TP S.A's position that this award is contrary to Public Policy. As a consequence, acting in the best interests of the Company and its shareholders, TP S.A. did not pay the partial award and is taking all reasonable legal actions to resist the award issued by the Arbitration Tribunal.

On 2 December 2010, TP S.A. filed a claim before the Commercial Court in Vienna claiming for the setting aside of the partial award for Phase I. The parties made their submissions in July 2011 and, at the hearing on 8 September 2011, they presented their arguments to the Court. At the hearing, the Court indicated that it might render its decision in October or November 2011.

On 22 December 2010, DPTG introduced a request for enforcement of the award in Poland before the District Court in Warsaw. On 2 March 2011, TP S.A. filed its defence. On 9 June 2011, DPTG responded to TP S.A.'s defence. On 22 July 2011, the District Court ordered enforcement proceedings to be suspended until the final ruling of the Austrian courts in the annulment proceedings. DPTG appealed against this decision and, on 18 October 2011, the Court of Appeals maintained the District Court order in force.

On 14 January 2011, DPTG filed its claim for Phase II, which amounts to DKK 2,386 million (approximately EUR 320 million) including interest. On 27 May 2011, TP S.A. submitted its answer to DPTG's claim for Phase II to the Arbitration Tribunal. At the organizational hearing on 10 June 2011, the Tribunal determined the schedule of the proceedings for Phase II until filing the post-hearing briefs by the parties on 25 January 2013.

Since 2001, TP S.A. has made what it considered to be an appropriate provision for this matter, as supported by outside counsel and other professional advisors. The Company's Management was obliged to adjust the level of the provision by virtue of the fact that an arbitral award had been rendered. As at 31 December 2010, the provision for the whole dispute was increased to EUR 542 million and is reassessed on a regular basis taking into account further developments of the matter. Nevertheless, the amount of the provision should in no way be viewed as an indication by TP S.A. of the proper outcome of the dispute.

9. Information on the conclusion of one or more significant transactions by the Company or its subsidiaries with related party

As at 30 September 2011, France Telecom S.A. owned 49.79% of shares of the Company and held 49.79% of votes. France Telecom S.A. has 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 related parties comprises mainly interconnect, research and development services and data transmission. The purchases from the France Telecom Group mainly comprise costs of interconnect and leased lines, network services, IT services, consulting services and brand fees.

The Group's income earned and purchases from entities accounted for using the equity method comprise mainly transactions with NetWorkS! Sp. z o.o. (see Note 5.1.).

(in PLN millions)	*3 months*	*9 months*	*3 months*	*9 months*
	ended 30 September 2011		*ended 30 September 2010*	
Sales of goods and services to:	**63**	**159**	**51**	**146**
- TP Group's entities accounted for using the equity method	13	13	-	-
- France Telecom S.A. (parent)	35	106	36	103
- France Telecom (group)	15	40	15	43
Purchases of goods (including inventories, tangible and intangible assets) and services from:	**91**	**261**	**78**	**238**
- TP Group's entities accounted for using the equity method	9	9	-	-
- France Telecom S.A. (parent)	29	85	28	90
- France Telecom (group)	53	167	50	148
- including Orange Brand Services Limited (brand licence agreement)	*33*	*92*	*32*	*90*
Dividends paid:	**997**	**997**	**997**	**997**
- France Telecom S.A. (parent)	997	997	997	997

(in PLN millions)	*At 30 September 2011*	*At 31 December 2010*
Receivables from:	**148**	**96**
- TP Group's entities accounted for using the equity method	14	-
- France Telecom S.A. (parent)	111	66
- France Telecom (group)	23	30
Payables to:	**245**	**189**
- TP Group's entities accounted for using the equity method	9	-
- France Telecom S.A. (parent)	155	102
- France Telecom (group)	81	87

Remuneration and bonuses, compensation and termination indemnities, including compensation under a competition prohibition clause (cash, benefits in kind or any other benefits) paid in accordance with contractual commitments, by TP S.A. and Telekomunikacja Polska Group entities to TP S.A.'s Management Board and Supervisory Board members during the 9 months ended 30 September 2011 and 2010 amounted to PLN 10.8 million and PLN 8.7 million, respectively. In addition, PLN 2.2 million of a termination benefit accrued in 2009 was paid during the 9 months ended 30 September 2010. In the 9 months ended 30 September 2011 and 2010, the amount of accrued cost for bonuses for the Company's Management Board amounted to PLN 0.9 million and PLN 0.7 million, respectively.

In the 9 months ended 30 September 2011 no cost was recognised in respect of TP S.A.'s incentive programme as the vesting period of the programme ended in 2010. During the 9 months ended 30 September 2010, the estimated cost of share based payments under TP S.A.'s incentive programme allocated to the Company's Management Board amounted to PLN 0.5 million.

On 14 January 2011, Mr Roland Dubois resigned from the position of Management Board Member of TP S.A. in charge of Finance – Chief Financial Officer. As of 17 January 2011, his duties were passed on to Mr Jacques de Galzain.

On 27 January 2011, the Supervisory Board of the Company appointed Mr Jacques de Galzain and Mr Jacek Kowalski as Members of the Management Board of TP S.A. The Supervisory Board also appointed Mr Piotr Muszyński for a subsequent term of office.

On 12 July 2011, the Supervisory Board of the Company appointed Mr Maciej Witucki for his third consecutive term as the President of the Management Board of TP S.A. This third term will start on the day of the next General Shareholders' Meeting of TP S.A. in April 2012, for a period of three years.

Mr Raoul Roverato resigned from the Supervisory Board of TP S.A. with effect from 26 January 2011. On 27 January 2011, the Supervisory Board appointed Mr Gerard Ries as a Member of the Supervisory Board of TP S.A.

On 24 March 2011, Mr Olivier Barberot resigned from the Supervisory Board of TP S.A. On the same day, the Supervisory Board appointed Mr Pierre Louette as a Member of the Supervisory Board of TP S.A.

On 14 April 2011, the General Shareholders' Meeting of TP S.A. renewed mandates of the following Members of the Supervisory Board of TP S.A., whose term of office expired as of the day of this General Meeting: Mr Timothy Boatman and Mr Gerard Ries.

On 11 July 2011, Mr Olivier Faure resigned from the Supervisory Board of TP S.A. On 12 July 2011, the Supervisory Board appointed Ms Nathalie Clere as a Member of the Supervisory Board of TP S.A.

On 7 October 2011, Mr Olaf Swantee resigned from the Supervisory Board of TP S.A. as of 12 October 2011. On 13 October 2011, the Extraordinary General Shareholders' Meeting of TP S.A. appointed Mr Benoit Scheen as a Member of the Supervisory Board of TP S.A. and renewed mandates of the following Members of the Supervisory Board of TP S.A., whose term of office expired as of the day of this Extraordinary General Meeting: Ms Nathalie Clere and Mr Pierre Louette.

10. Subsequent events

On 6 October 2011, the Group purchased 34.16% of shares in Telefony Podlaskie S.A. from the State Treasury for PLN 12 million and consequently increased its shareholding to 89.27%.

On 13 October 2011, the General Shareholders' Meeting of TP S.A. adopted a resolution authorizing the Company to buy back its own shares for the purpose of their redemption ("the Programme"). The Programme will be carried out until the total amount of funds allocated to the Programme achieves PLN 800 million, but not later than 31 December 2012.

On 24 October 2011, TP S.A. concluded with Trade Unions the new Social Agreement under which up to 2,300 employees may take advantage of the voluntary departure package in years 2012 and 2013. Additionally, TP S.A. concluded a separate agreement specifying that in 2012 a maximum of 1,150 employees may take advantage from the above mentioned package. The value of voluntary departure package will depend on an employee's seniority in TP S.A. ranging from 4 to 15 times of monthly remuneration, and will additionally be enlarged by compensation of PLN 8 thousand in 2012 and PLN 6 thousand in 2013. Additional compensation of up to PLN 20 thousand will be paid to employees with more than 20 years of seniority. The employment restructuring provision will be recognized in the fourth quarter of 2011.

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 Shareholders 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 condensed interim financial report

The ownership structure of the Company's share capital, based on the best information available to the Company as at 26 October 2011, i.e. the date of submission of the quarterly report for the third quarter of 2011:

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders	Percentage of the total number of votes at the General Meeting of Shareholders	Nominal value of shares held (in PLN)	Share in the capital
France Telecom S.A.	664,999,999	664,999,999	49.79%	1,994,999,997	49.79%
Capital Group International, Inc. (1)	67,546,647	67,546,647	5.06%	202,639,941	5.06%
Other shareholders	603,102,375	603,102,375	45.15%	1,809,307,125	45.15%
TOTAL	**1,335,649,021**	**1,335,649,021**	**100.00%**	**4,006,947,063**	**100.00%**

(1) Number of shares according to the notification by Capital Group International, Inc. on 15 October 2010.

The ownership structure of the Company's share capital, based on the best information available to the Company as at 27 July 2011, i.e. the date of submission of the condensed interim report for the 6 months ended 30 June 2011:

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders	Percentage of the total number of votes at the General Meeting of Shareholders	Nominal value of shares held (in PLN)	Share in the capital
France Telecom S.A.	664,999,999	664,999,999	49.79%	1,994,999,997	49.79%
Capital Group International, Inc. (1)	67,546,647	67,546,647	5.06%	202,639,941	5.06%
Other shareholders	603,102,375	603,102,375	45.15%	1,809,307,125	45.15%
TOTAL	**1,335,649,021**	**1,335,649,021**	**100.00%**	**4,006,947,063**	**100.00%**

(1) Number of shares according to the notification by Capital Group International, Inc. on 15 October 2010.

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 condensed 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 2011 and the condensed interim report for the 6 months ended 30 June 2011 is as follows:

	26 October 2011	27 July 2011
Maciej Witucki	305,557	305,557
Vincent Lobry	-	-
Piotr Muszyński	190,896	190,896
Jacques de Galzain	-	-
Jacek Kowalski	25,241	25,241

The members of the Supervisory Board of TP S.A. do not participate in the Company's incentive program and as at 26 October 2011 and 27 July 2011 held no bond with a pre-emption right.

As at 26 October 2011, i.e. the date of submission of the quarterly report for the third quarter of 2011, Maciej Witucki, President of the Management Board, held 4,000 TP S.A. shares and there was no TP S.A. share held by other members of the Management Board and the Supervisory Board of TP S.A.

As at 27 July 2011, i.e. the date of submission of the condensed interim report for the 6 months ended 30 June 2011, Maciej Witucki, President of the Management Board, held 4,000 TP S.A. shares and there was no TP S.A. share held by other members of the Management Board and 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 the guarantee or a collateral accounts for 10% or more of the Company's equity

In the 9 months ended 30 September 2011, the Company and 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 10% or more 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

Over the next quarter, the Group's results may be further influenced by increasing competition from:

- cable television operators, offering also fixed voice and Internet access services, the potential of which may grow even further as a result of consolidation of market players;
- alternative fixed line operators providing fixed voice and Internet access services based on wholesale access to the Group's infrastructure;

- existing and new mobile operators which:
  - may increase price pressure on mobile revenue by competing for new subscribers on a saturated market,
  - enter the fixed voice market by attracting customers with Home Zone offers and introduce services based on wholesale access to the Group's infrastructure.

The Group may be also influenced by changes in the regulatory environment in Poland, in particular by continuously evolving regulated wholesale offers introduced in the last two years as well as a decrease in mobile termination rates (MTRs). On 11th May 2011 the President of UKE issued a decision for PTK Centertel setting the MTRs in PTK network – from 1st of July 2011 until 30th June 2012 in the amount of 15.20 groszy/minute and from 1st July 2012 – 12.23 groszy/minute. In exchange for slowdown of MTR cuts process, the President of UKE obliged PTK Centertel to make certain investments in white 2G and 3G zones.

Profitability could continue to be under pressure in 2011 mainly as a result of revenue erosion. Another factor influencing the market, including the Group, may be developments related to consolidation of players in the Polish telecommunication market, which has been progressing since 2010, including the ownership change in Polkomtel S.A., as well as, the rebranding of Era networks to T-Mobile.

A Memorandum of Understanding ("MoU") concerning implementation of transparency and non-discrimination in inter-operator relations has been in force since 22 October 2009. Information on the MoU and its impact on the Group was presented in Note 30.1.c to the Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2010.

As described in Note 8 to the Telekomunikacja Polska Group Condensed IFRS Quarterly Consolidated Financial Statements for the 3 months ended 30 September 2011, there are some major legal and regulatory proceedings, the outcome of which is uncertain and may influence the Group's results.

VI. Foreign exchange rates

The balance sheet data as at 30 September 2011 and 31 December 2010 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 balance sheet dates. The income statement data, together with the statement of comprehensive income and statement of cash flows data for the 9 months ended 30 September 2011 and 2010, 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 2011 and 2010.

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

	30 September 2011	**31 December 2010**	**30 September 2010**
Balance sheet	4.4112	3.9603 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.0413	Not applicable	4.0027 PLN

TELEKOMUNIKACJA POLSKA S.A.

CONDENSED IFRS QUARTERLY SEPARATE FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2011

Contents

INCOME STATEMENT

(in PLN millions, except for share data)

	3 months	*9 months*	*3 months*	*9 months*
	ended 30 September 2011		***ended 30 September 2010***	
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	**1,943**	**5,877**	**2,064**	**6,377**
External purchases	(878)	(2,781)	(798)	(2,467)
Labour expenses	(322)	(1,021)	(346)	(1,228)
Other operating expense	(161)	(843)	(108)	(363)
Other operating income	116	371	60	180
Gains on disposal of assets	3	18	20	33
Gain on disposal of TP Emitel (Note 5.1)	-	1,252	-	-
Dispute with DPTG (Note 8.b)	-	-	(1,061)	(1,061)
Depreciation and amortization	(573)	(1,756)	(595)	(1,815)
Impairment of non-current assets	(2)	(6)	(1)	(6)
Operating income/(loss)	**126**	**1,111**	**(765)**	**(350)**
Dividend income	-	962	21	1,712
Interest income	82	295	96	303
Interest expense and other financial charges	(184)	(611)	(227)	(639)
Foreign exchange gains/(losses)	90	104	(35)	(15)
Discounting expense	(6)	(17)	(6)	(23)
Finance income/(costs), net	**(18)**	**733**	**(151)**	**1,338**
Income tax	24	21	(58)	(108)
Net income/(loss)	**132**	**1,865**	**(974)**	**880**
Earnings/(loss) per share (in PLN) (basic and diluted)	**0.10**	**1.40**	**(0.73)**	**0.66**
Weighted average number of shares (in millions) (basic and diluted)	1,336	1,336	1,336	1,336

STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months	*9 months*	*3 months*	*9 months*
	ended 30 September 2011		***ended 30 September 2010***	
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Net income/(loss)	**132**	**1,865**	**(974)**	**880**
Gains/(losses) on cash flow hedges	17	2	(14)	(11)
Actuarial gains/(losses) on post-employment benefits	1	2	(11)	(12)
Income tax relating to components of other comprehensive income	(4)	(1)	5	5
Other comprehensive income/(loss), net of tax	**14**	**3**	**(20)**	**(18)**
Total comprehensive income/(loss)	**146**	**1,868**	**(994)**	**862**

BALANCE SHEET

(in PLN millions)

	At 30 September 2011 *(unaudited)*	***At 31 December 2010*** *(audited)*
ASSETS		
Intangible assets	1,254	1,247
Property, plant and equipment	11,803	12,657
Investments in subsidiaries	7,243	7,636
Financial assets available for sale	4	4
Loans and receivables excluding trade receivables	2,923	3,147
Financial assets at fair value through profit or loss	95	57
Hedging derivatives	114	45
Deferred tax assets	93	166
Total non-current assets	**23,529**	**24,959**
Inventories	47	41
Trade receivables	941	857
Loans and receivables excluding trade receivables	321	304
Financial assets at fair value through profit or loss	309	20
Hedging derivatives	6	-
Income tax assets	103	6
Other assets	2,279	126
Prepaid expenses	33	36
Cash and cash equivalents	1,378	2,268
Total current assets	**5,417**	**3,658**
TOTAL ASSETS	**28,946**	**28,617**
EQUITY AND LIABILITIES		
Share capital	4,007	4,007
Share premium	832	832
Other reserves	18	15
Retained earnings	7,908	8,046
Total equity	**12,765**	**12,900**
Financial liabilities at amortised cost excluding trade payables	7,042	7,556
Financial liabilities at fair value through profit or loss	26	90
Hedging derivatives	47	191
Employee benefits	253	269
Provisions	136	127
Other liabilities	15	-
Deferred income	50	64
Total non-current liabilities	**7,569**	**8,297**
Financial liabilities at amortised cost excluding trade payables	3,635	2,580
Financial liabilities at fair value through profit or loss	-	55
Hedging derivatives	1	54
Trade payables	1,551	2,100
Employee benefits	144	167
Provisions	2,983	2,176
Income tax payable	9	39
Other liabilities	191	180
Deferred income	98	69
Total current liabilities	**8,612**	**7,420**
TOTAL EQUITY AND LIABILITIES	**28,946**	**28,617**

STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Number of shares in issue (not in millions)	Share capital	Share premium	Other reserves				Retained earnings	Total
				Hedging instruments	Actuarial losses on post-employment benefits	Deferred tax	Share-based payments		
Balance at 1 January 2010 *(audited)*	**1 335 649 021**	**4,007**	**832**	**11**	**(51)**	**7**	**64**	**9,026**	**13,896**
Total comprehensive income for the 9 months ended 30 September 2010		-	-	(11)	(12)	5	-	880	862
Share-based payments		-	-	-	-	-	5	-	5
Dividends		-	-	-	-	-	-	(2,003)	(2,003)
Balance at 30 September 2010 *(unaudited)*	**1 335 649 021**	**4,007**	**832**	**-**	**(63)**	**12**	**69**	**7,903**	**12,760**
Balance at 1 January 2011 *(audited)*	**1 335 649 021**	**4,007**	**832**	**2**	**(67)**	**12**	**68**	**8,046**	**12,900**
Total comprehensive income for the 9 months ended 30 September 2011		-	-	2	2	(1)	-	1,865	1,868
Dividends		-	-	-	-	-	-	(2,003)	(2,003)
Balance at 30 September 2011 *(unaudited)*	**1 335 649 021**	4,007	832	4	(65)	11	68	7,908	12,765

STATEMENT OF CASH FLOWS

(in PLN millions)

	3 months ended 30 September 2011	*9 months ended 30 September 2011*	*3 months ended 30 September 2010*	*9 months ended 30 September 2010*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
OPERATING ACTIVITIES				
Net income/(loss)	132	1,865	(974)	880
Adjustments to reconcile net income/(loss) to funds generated from operations				
Depreciation and amortization	573	1,756	595	1,815
Impairment of non-current assets	2	6	1	6
Gains on disposal of assets	(3)	(1,270)	(20)	(33)
Change in provisions	(18)	408	974	913
Income tax	(24)	(21)	58	108
Finance (income)/costs, net excluding realised exchange rate effect on cash and cash equivalents	(1)	(748)	153	(1,333)
Operational foreign exchange and derivatives (gains)/losses, net	52	48	(2)	(2)
Share-based payments	-	-	1	5
Change in working capital (trade)				
Decrease/(increase) in inventories	9	(6)	(3)	3
Decrease/(increase) in trade receivables	59	(48)	9	(127)
Increase/(decrease) in trade payables	(87)	(49)	(21)	89
Change in working capital (non-trade)				
Decrease/(increase) in prepaid expenses and other receivables	(9)	25	(20)	(40)
Increase/(decrease) in accrued expenses, other payables and deferred income	(13)	1	(48)	(3)
Dividends received	-	531	33	912
Interest received	9	75	16	61
Interest and interest rates effect on derivatives paid, net	(133)	(444)	(132)	(483)
Exchange rate effect on derivatives, net	26	19	4	(49)
Income tax paid	-	(30)	-	(40)
Net cash provided by operating activities	**574**	**2,118**	**624**	**2,682**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(327)	(925)	(401)	(910)
Increase/(decrease) in amounts due to fixed assets suppliers	(106)	(540)	112	20
Proceeds from sale of property, plant and equipment and intangible assets	11	29	26	50
Cash paid for investments in subsidiaries	-	(8)	-	-
Proceeds from sale of investments in subsidiaries	-	-	-	177
Decrease in marketable securities and other financial assets	3	6	2	7
Exchange rate effect on derivatives, net	14	19	2	(29)
Net cash used in investing activities	**(405)**	**(1,419)**	**(259)**	**(685)**
FINANCING ACTIVITIES				
Redemption of bonds	(1,189)	(1,189)	-	-
Repayment of long-term debt	(2)	(112)	(4)	(120)
Increase in bank overdrafts and other short-term borrowings	128	1,755	496	151
Dividends paid	(2,003)	(2,003)	(2,003)	(2,003)
Exchange rate effect on derivatives, net	(139)	(36)	27	(40)
Net cash used in financing activities	**(3,205)**	**(1,585)**	**(1,484)**	**(2,012)**
Net change in cash and cash equivalents	(3,036)	(886)	(1,119)	(15)
Effect of changes in exchange rates and other impacts on cash and cash equivalents	3	(4)	-	-
Cash and cash equivalents at the beginning of the period	4,411	2,268	3,100	1,996
Cash and cash equivalents at the end of the period	**1,378**	**1,378**	**1,981**	**1,981**

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 services, including fixed-line telecommunications services (local calls and long distance calls – domestic and international), Integrated Services Digital Network ("ISDN"), voice mail, dial-up and 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, electronic phone cards and 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.

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 2010.

The Quarterly Separate Financial Statements include the balance sheet, 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 Separate Financial Statements are prepared in millions of Polish zloty ("PLN") and were authorized for issuance by the Management Board on 25 October 2011.

<u>Adoption of standards, amendments to standards and interpretations which are compulsory as at 1 January 2011</u>

The following standards or amendments to standards and interpretations (already endorsed or in the process of being endorsed by the European Union) have become effective and are compulsory as at January 1, 2011:

- Amendments to IAS 32 "Financial Instruments: Presentation",
- Amendments to IAS 24 "Related Party Disclosures",
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments",
- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement",
- Improvements to International Financial Reporting Standards – a collection of amendments to IFRSs, the amendments are effective, in most cases, for annual periods beginning on or after 1 January 2011.

The adoption of the standards and interpretations 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 standards and interpretations (already endorsed or in the process of being endorsed by the European Union):

- IFRS 9 "Financial Instruments" applicable for financial years beginning on or after 1 January 2013. This standard has not been endorsed by the European Union,
- Amendments to IFRS 7 "Financial Instruments: Disclosures" applicable for financial years beginning on or after 1 July 2011. These amendments have not been endorsed by the European Union,
- IFRS 10 "Consolidated Financial Statements" applicable for financial years beginning on or after 1 January 2013. This standard has not been endorsed by the European Union,
- Amendments to IAS 27 "Separate financial statements" applicable for financial years beginning on or after 1 January 2013. These amendments have not been endorsed by the European Union,
- Amendments to IAS 28 "Investments in associates and joint ventures" applicable for financial years beginning on or after 1 January 2013. These amendments have not been endorsed by the European Union,
- IFRS 11 "Joint Arrangements" applicable for financial years beginning on or after 1 January 2013. This standard has not been endorsed by the European Union,
- IFRS 12 "Disclosure of Interests in Other Entities" applicable for financial years beginning on or after 1 January 2013. This standard has not been endorsed by the European Union,
- IFRS 13 "Fair Value Measurement" applicable for financial years beginning on or after 1 January 2013. This standard has not been endorsed by the European Union,
- Amendments to IAS 1 "Presentation of Financial Statements" applicable for financial years beginning on or after 1 July 2012. These amendments have not been endorsed by the European Union,
- Amendments to IAS 19 "Employee Benefits" applicable for financial years beginning on or after 1 January 2013. These amendments have not been endorsed by the European Union.

Management is currently analyzing the practical consequences of these new standards 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 Telekomunikacja Polska IFRS Separate Financial Statements for the year ended 31 December 2010 (see Notes 2 and 3 to Telekomunikacja Polska S.A. IFRS Separate Financial Statements for the year ended 31 December 2010).

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. The nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

5.1. The effect of changes in the composition of the Company during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations

The list of subsidiaries of the Company as at and for the 9 months ended 30 September 2011 is presented in the Note 14.1 of the Telekomunikacja Polska S.A. IFRS Separate Financial Statements for the year ended 31 December 2010. Additionally, during the 9 months ended 30 September 2011, TP S.A. incorporated Bilbo Sp. z o.o. and Integrated Solutions Sp. z o.o., fully owned subsidiaries, whose scope of activities comprises investment operations and provision of integrated IT and network services, respectively.

On 23 May 2011, the Polish Financial Supervision Authority approved the sale agreement concluded in September 2010 under which 25% shares of PTE TP S.A was disposed to Orange Customer Service Sp. z o.o.

Gain on disposal of TP Emitel

On 22 June 2011, Bilbo Sp. z o.o. together with TP S.A. concluded a share sale agreement with EM Bidco Sp. z o.o. under which the 100% shareholding in TP Emitel Sp. z o.o. was disposed of for a total consideration amounting to PLN 1,653 million, consisting of consideration received in cash by Bilbo Sp. z o.o. (to be transferred to TP S.A.) amounting to PLN 1,725 million, decreased by liabilities assumed by the Company.

Gain on disposal amounting to PLN 1,252 million is presented separately in the income statement.

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

Apart from the major litigation and claims described in Note 8, 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. As at 30 September 2011, the Management of the Company performed an assessment of risks of on-going and potential proceedings. As a result, the Company recognised provisions for known and quantifiable risks related to these proceedings, which represent the Company's best estimate of the amounts which are more likely than not to be paid. The actual amount of a penalty or a claim, if any, is dependent on a number of future events, the outcome of which is uncertain, and as a consequence, the amount of the provision may change at a future date. As a rule, the provisions are not disclosed on a case-by-case basis, as, in the opinion of the Management, such disclosure could prejudice the outcome of the pending cases.

Income tax expense for the 3 months ended 30 September 2011 includes the effect of new technologies tax relief recognition in the amount of PLN 82 million. The transaction of disposal of TP Emitel was tax neutral and the gain on disposal did not impact income tax expense.

6. Loan agreements and debt securities

Redemption of bonds

On 4 July 2011, TP S.A. redeemed at maturity bonds series T of the total nominal value of EUR 300 million which were issued on 4 July 2004. The bonds were offered through private placement and were purchased exclusively by TPSA Eurofinance France S.A.

On 5 July 2011, TPSA Eurofinance France S.A. redeemed at maturity bonds series T of the total nominal value of EUR 300 million which were issued on 5 July 2004. The bonds were guaranteed by TP S.A.

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

In the 9 months ended 30 September 2011, 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 2011, the net cash flows on the bonds amounted to PLN 1,728 million. As a result of the issues and redemptions, the aggregate par value of the outstanding bonds issued under the programme amounted to PLN 2,500 million as at 30 September 2011.

7. Dividends paid (aggregate or per share) separately for ordinary shares and other shares

On 14 April 2011, the General Shareholders' Meeting of TP S.A. adopted a resolution on the payment of an ordinary dividend of PLN 1.50 per share, i.e. PLN 2,003 million. The dividend was paid on 7 July 2011.

8. Current status of major litigation and claims, contingent liabilities and contingent assets since the last annual balance sheet date

a. Proceedings by UKE, UOKiK and the European Commission

Proceedings by UKE related to broadband access
On 25 September 2006, UKE imposed a fine of PLN 100 million on TP S.A. for the infringement of the obligation to determine the price of the services on the basis of the cost of their provision and on clear, objective and non-discriminatory criteria, as a result of not implementing the offer to sell Neostrada (Internet services) separately from the fixed line subscription (allocating costs of local loop entirely to fixed line subscription).
On 22 February 2007, after TP S.A. had separated providing Neostrada from fixed line services, UKE imposed a fine of PLN 339 million on TP S.A. for non-performance of the regulatory obligation to submit its Neostrada price list for UKE's approval, and for failing to demonstrate that TP S.A. had met the requirements of the Polish Telecommunication Law that the price of services (in particular the additional charge for the maintenance of the local loop paid by the Neostrada customers who do not subscribe for TP S.A.'s traditional fixed-line analogue services on the same local loop) be based on their cost and determined on clear, objective and non-discriminatory criteria.
TP S.A. believes that UKE has no right to challenge the Neostrada price since it is not defined as a regulated service and that the criteria used for setting Neostrada price were transparent and objective.
TP S.A. did not pay either of these fines and appealed against these decisions to the Court of Competition and Consumer Protection ("SOKiK").
Both appeal proceedings were suspended by SOKiK in connection with, among other matters, the proceeding of the European Commission against the Republic of Poland at the European Court of Justice on attempts of UKE to regulate retail tariffs for broadband access services without carrying out a prior market analysis. On 6 May 2010 the European Court of Justice ruled that by regulating retail tariffs for broadband access services without carrying out a prior market analysis, Poland has failed to fulfil its obligations under the Universal Service Directive in conjunction with the Framework Directive.
After resumption of the appeal proceedings, SOKiK, on 18 April 2011, overruled the UKE's decision imposing the fine of PLN 339 million. UKE appealed against the SOKiK verdict to the Court of Appeal on 6 June 2011. On 12 July 2011, SOKiK annulled for the second time the fine of PLN 100 million. Justification is awaited from the Court. SOKiK invalidated the fine for the first time in 2007.

Proceedings by UOKiK related to IP traffic
On 20 December 2007, Office of Competition and Consumer Protection ("UOKiK") issued a decision concluding that TP S.A. had engaged in practices restricting competition when it downgraded IP traffic coming from domestic operators' networks to TP S.A.'s network via foreign operators' networks and imposed a fine of PLN 75 million on the Company. TP S.A. disagreed with the decision of UOKiK and did not pay the fine. On 2 January 2008, TP S.A. appealed to SOKiK against the decision. On 11 April 2011, SOKiK reduced the fine to the amount of PLN 38 million. TP S.A. appealed to the Court of Appeal on 20 June 2011 and UOKiK appealed on 19 August 2011.

Proceedings by the European Commission related to broadband access
In September 2008, the European Commission conducted an inspection at the premises of TP S.A. and PTK-Centertel. The aim of the inspection was to gather evidence of a possible breach by TP S.A. of competition rules on the broadband Internet market. On 17 April 2009, the European Commission notified TP S.A. of initiation of proceedings on the supposed refusal to provide services and non-price discrimination on the Polish wholesale market of broadband access to the Internet. On 1 March 2010, TP S.A. received a Statement of Objections from the European Commission regarding an alleged abuse of dominant position, by refusing to supply access to its wholesale broadband services. The Company responded to the Statement of Objections and provided the European Commission with requested information. TP S.A. received from the European Commission the letter of facts dated 28 January 2011 presenting evidence collected after the issue of the Statement of Objections as well as findings of the European Commission. TP S.A. responded to the letter of facts on 7 March 2011.
On 22 June 2011, the European Commission imposed on TP S.A. a EUR 127.6 million fine (approximately PLN 508 million) for abuse of dominant position on the wholesale broadband access market, before October 2009. TP S.A. has recorded a provision for the whole amount of the fine.

The decision is not final and TP S.A., in liaison with its legal advisors, appealed against it to the General Court of the European Union on 2 September 2011. The Company strongly disagrees with the decision and the disproportionate level of the fine, particularly as it believes that the European Commission did not take into account several important factors. The situation on the wholesale broadband market has been systematically improving since 2007. By constructing and providing fixed broadband infrastructure, the Company has been effectively remedying the difficulties on the Polish broadband market and it has been increasing the penetration rate of the broadband services. The irregularities pointed out by the European Commission were voluntarily removed by the Company in the past.

In accordance with the decision the fine could have been provisionally paid or secured by a bank guarantee. On 27 September 2011, TP S.A. provided the bank guarantee to the European Commission. Based on previous similar cases, the judgment of the General Court should be delivered within the next two or three years. This judgment could be appealed to the Court of Justice by any of the parties.

b. Dispute with DPTG

Information on details of the proceedings between the Company and DPTG is presented in Note 29.d to the Telekomunikacja Polska S.A. IFRS Separate Financial Statements for the year ended 31 December 2010 and has been consistently referred to in the separate financial statements of the Company since 2001 together with the development of the case over the years.

In June 2008, the Arbitration Tribunal decided to split the case into two periods and to render firstly an award settling DPTG's rights for the period from February 1994 to June 2004. On 3 September 2010, the Tribunal issued its partial award for the period from February 1994 to June 2004 (Phase I). It settles DPTG's claims at DKK 2,946 million (approximately EUR 396 million) including interest. The partial award was issued after nine years of arbitration proceedings. During this time, TP S.A. consistently contested both the basis of the DPTG case and, in particular, its interpretation of the contract, as a joint-venture and its related broad interpretation of the financing sub-clause at the heart of the dispute (14.8% of the certain profit from NSL over a period of 15 years) as well as the amount claimed. According to TP S.A., the contract is a sale contract. The contract valued DPTG's supplies remaining to be paid at EUR 17 million. By 2006, DPTG had already received from TP S.A. over EUR 84 million in performance of the contract.

The partial award states that the contract is a sale contract but nevertheless awards DPTG an amount as if the contract was a joint-venture. TP S.A., its legal counsel and independent experts all believe that the amount awarded is many times higher than DPTG's rights and that the award is inconsistent. The Company's Management strongly disputes both the contractual basis of the claim and the amounts awarded. Given the amounts awarded for Phase I, and potentially for Phase II, and the lack of consistency of the award, it is TP S.A's position that this award is contrary to Public Policy. As a consequence, acting in the best interests of the Company and its shareholders, TP S.A. did not pay the partial award and is taking all reasonable legal actions to resist the award issued by the Arbitration Tribunal.

On 2 December 2010, TP S.A. filed a claim before the Commercial Court in Vienna claiming for the setting aside of the partial award for Phase I. The parties made their submissions in July 2011 and, at the hearing on 8 September 2011, they presented their arguments to the Court. At the hearing, the Court indicated that it might render its decision in October or November 2011.

On 22 December 2010, DPTG introduced a request for enforcement of the award in Poland before the District Court in Warsaw. On 2 March 2011, TP S.A. filed its defence. On 9 June 2011, DPTG responded to TP S.A.'s defence. On 22 July 2011, the District Court ordered enforcement proceedings to be suspended until the final ruling of the Austrian courts in the annulment proceedings. DPTG appealed against this decision and, on 18 October 2011, the Court of Appeals maintained the District Court order in force.

On 14 January 2011, DPTG filed its claim for Phase II, which amounts to DKK 2,386 million (approximately EUR 320 million) including interest. On 27 May 2011, TP S.A. submitted its answer to DPTG's claim for Phase II to the Arbitration Tribunal. At the organizational hearing on 10 June 2011, the Tribunal determined the schedule of the proceedings for Phase II until filing the post-hearing briefs by the parties on 25 January 2013.

Since 2001, TP S.A. has made what it considered to be an appropriate provision for this matter, as supported by outside counsel and other professional advisors. The Company's Management was obliged to adjust the level of the provision by virtue of the fact that an arbitral award had been rendered. As at 31 December 2010, the provision for the whole dispute was increased to EUR 542 million and is reassessed on a regular basis taking into account further developments of the matter. Nevertheless, the amount of the provision should in no way be viewed as an indication by TP S.A. of the proper outcome of the dispute.

c. Guarantees

As at 30 September 2011 and 31 December 2010, total guarantees granted by Telekomunikacja Polska S.A. to purchasers of debt securities amounted to PLN 3,154 million and PLN 4,089 million, respectively. The decrease of the guarantees resulted mainly from the redemption of bonds series T (as described in Note 6).

9. Information on the conclusion of one or more significant transactions by the Company with related party

As at 30 September 2011, France Telecom S.A. owned 49.79% of shares of the Company and held 49.79% of votes. France Telecom S.A. has 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, interconnect, data transmission, fees for distribution of products through its own sales network and property rental and related fees. The purchases from the subsidiaries comprise mainly customer support and management services, selling fees, costs of interconnect, leased lines, consulting services, network services as well as property rental and related fees. Costs incurred by the Company in transactions with its subsidiaries also comprise donations to Fundacja Orange.

Revenue earned from France Telecom Group comprises mainly interconnect, research and development services and data transmission. The purchases from the France Telecom Group comprise mainly costs of leased lines, interconnect, network services, IT services, consulting services.

The Company's income earned from TP Group's joint ventures comprises mainly transactions with NetWorkS! Sp. z o.o. (see Note 5.1. to Condensed IFRS Quarterly Consolidated Financial Statements of the Telekomunikacja Polska Group for the 3 months ended 30 September 2011).

TP S.A.'s financial income earned from its subsidiaries comprises dividends from subsidiaries, including a dividend declared in the second quarter of 2011 by its wholly-owned subsidiary PTK-Centertel Sp. z o.o. in the amount of PLN 862 million, of which PLN 431 million was already distributed and PLN 431 million is to be distributed by 30 November 2011 and dividend declared in the second quarter of 2010 by PTK-Centertel Sp. z o.o. in the amount of PLN 1,600 million. The financial income also comprises 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 subsidiaries and interest on loans from subsidiaries. The Company's financial receivables from its subsidiaries mainly comprise bonds issued by subsidiaries, the aforementioned dividends and loans granted to subsidiaries, together with accrued interests. Financial payables to related parties comprise bonds issued to subsidiaries and loans from subsidiaries, together with accrued interests.

(in PLN millions)	*3 months*	*9 months*	*3 months*	*9 months*
	ended 30 September 2011		*ended 30 September 2010*	
Sales of goods and services to:	**308**	**929**	**261**	**753**
TP Group	263	799	219	627
- TP Group (subsidiaries)	262	798	219	627
- TP Group's joint ventures	1	1	-	-
France Telecom Group	45	130	42	126
- France Telecom S.A. (parent)	33	97	31	93
- France Telecom (group)	12	33	11	33
Purchases of goods (including inventories, tangible and intangible assets) and services from:	**333**	**1,134**	**249**	**720**
TP Group (subsidiaries)	298	1,006	216	614
France Telecom Group	35	128	33	106
- France Telecom S.A. (parent)	21	64	21	67
- France Telecom (group)	14	64	12	39
Financial income:	**75**	**1,189**	**102**	**1,955**
TP Group (subsidiaries)	75	1,189	102	1,955
Financial expense:	**146**	**422**	**146**	**445**
TP Group (subsidiaries)	146	422	146	445
Dividends paid:	**997**	**997**	**997**	**997**
France Telecom S.A. (parent)	997	997	997	997

(in PLN millions)	*At 30 September 2011*	*At 31 December 2010*
Receivables from:	**334**	**247**
TP Group	227	178
- TP Group (subsidiaries)	226	178
- TP Group's joint ventures	1	-
France Telecom Group	107	69
- France Telecom S.A. (parent)	104	60
- France Telecom (group)	3	9
Financial receivables from:	**3,655**	**3,435**
TP Group (subsidiaries)	3,655	3,435
Payables to:	**377**	**460**
TP Group (subsidiaries)	249	357
France Telecom Group	128	103
- France Telecom S.A. (parent)	112	81
- France Telecom (group)	16	22
Financial payables to:	**8,861**	**8,243**
TP Group (subsidiaries)	8,861	8,243

In addition to the above mentioned receivables from TP Group subsidiaries, as at 30 September 2011 TP S.A. had a receivable amounting to PLN 1,725 million from Bilbo Sp. z o. o. resulting from disposal of TP Emitel shares.

Remuneration and bonuses, compensation and termination indemnities, including compensation under a competition prohibition clause (cash, benefits in kind or any other benefits) paid in accordance with contractual commitments, by TP S.A. and Telekomunikacja Polska Group entities to TP S.A.'s Management Board and Supervisory Board members during the 9 months ended 30 September 2011 and 2010 amounted to PLN 10.8 million and PLN 8.7 million, respectively. In addition, PLN 2.2 million of a termination benefit accrued in 2009 was paid during the 9 months ended 30 September 2010. In the 9 months ended 30 September 2011 and 2010, the amount of accrued cost for bonuses for the Company's Management Board amounted to PLN 0.9 million and PLN 0.7 million, respectively.

In the 9 months ended 30 September 2011 no cost was recognised in respect of TP S.A.'s incentive programme as the vesting period of the programme ended in 2010. During the 9 months ended 30 September 2010, the estimated cost of share based payments under TP S.A.'s incentive programme allocated to the Company's Management Board amounted to PLN 0.5 million.

On 14 January 2011, Mr Roland Dubois resigned from the position of Management Board Member of TP S.A. in charge of Finance – Chief Financial Officer. As of 17 January 2011, his duties were passed on to Mr Jacques de Galzain.

On 27 January 2011, the Supervisory Board of the Company appointed Mr Jacques de Galzain and Mr Jacek Kowalski as Members of the Management Board of TP S.A. The Supervisory Board also appointed Mr Piotr Muszyński for a subsequent term of office.

On 12 July 2011, the Supervisory Board of the Company appointed Mr Maciej Witucki for his third consecutive term as the President of the Management Board of TP S.A. This third term will start on the day of the next General Shareholders' Meeting of TP S.A. in April 2012, for a period of three years.

Mr Raoul Roverato resigned from the Supervisory Board of TP S.A. with effect from 26 January 2011. On 27 January 2011, the Supervisory Board appointed Mr Gerard Ries as a Member of the Supervisory Board of TP S.A.

On 24 March 2011, Mr Olivier Barberot resigned from the Supervisory Board of TP S.A. On the same day, the Supervisory Board appointed Mr Pierre Louette as a Member of the Supervisory Board of TP S.A.

On 14 April 2011, the General Shareholders' Meeting of TP S.A. renewed mandates of the following Members of the Supervisory Board of TP S.A., whose term of office expired as of the day of this General Meeting: Mr Timothy Boatman and Mr Gerard Ries.

On 11 July 2011, Mr Olivier Faure resigned from the Supervisory Board of TP S.A. On 12 July 2011, the Supervisory Board appointed Ms Nathalie Clere as a Member of the Supervisory Board of TP S.A.

On 7 October 2011, Mr Olaf Swantee resigned from the Supervisory Board of TP S.A. as of 12 October 2011. On 13 October 2011, the Extraordinary General Shareholders' Meeting of TP S.A. appointed Mr Benoit Scheen as a Member of the Supervisory Board of TP S.A. and renewed mandates of the following Members of the Supervisory Board of TP S.A., whose term of office expired as of the day of this Extraordinary General Meeting: Ms Nathalie Clere and Mr Pierre Louette.

10. Subsequent events

On 13 October 2011, the General Shareholders' Meeting of TP S.A. adopted a resolution authorizing the Company to buy back its own shares for the purpose of their redemption ("the Programme"). The Programme will be carried out until the total amount of funds allocated to the Programme achieves PLN 800 million, but not later than 31 December 2012.

On 24 October 2011, TP S.A. concluded with Trade Unions the new Social Agreement under which up to 2,300 employees may take advantage of the voluntary departure package in years 2012 and 2013. Additionally, TP S.A. concluded a separate agreement specifying that in 2012 a maximum of 1,150 employees may take advantage from the above mentioned package. The value of voluntary departure package will depend on an employee's seniority in TP S.A. ranging from 4 to 15 times of monthly remuneration, and will additionally be enlarged by compensation of PLN 8 thousand in 2012 and PLN 6 thousand in 2013. Additional compensation of up to PLN 20 thousand will be paid to employees with more than 20 years of seniority. The employment restructuring provision will be recognized in the fourth quarter of 2011.

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 Shareholders 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 condensed interim financial report

The ownership structure of the Company's share capital, based on the best information available to the Company as at 26 October 2011, i.e. the date of submission of the quarterly report for the third quarter 2011:

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders	Percentage of the total number of votes at the General Meeting of Shareholders	Nominal value of shares held (in PLN)	Share in the capital
France Telecom S.A.	664,999,999	664,999,999	49.79%	1,994,999,997	49.79%
Capital Group International, Inc. [(1)]	67,546,647	67,546,647	5.06%	202,639,941	5.06%
Other shareholders	603,102,375	603,102,375	45.15%	1,809,307,125	45.15%
TOTAL	**1,335,649,021**	**1,335,649,021**	**100.00%**	**4,006,947,063**	**100.00%**

[(1)] Number of shares according to the notification by Capital Group International, Inc. on 15 October 2010.

The ownership structure of the Company's share capital, based on the best information available to the Company as at 27 July 2011, i.e. the date of submission of the condensed interim report for the 6 months ended 30 June 2011:

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders	Percentage of the total number of votes at the General Meeting of Shareholders	Nominal value of shares held (in PLN)	Share in the capital
France Telecom S.A.	664,999,999	664,999,999	49.79%	1,994,999,997	49.79%
Capital Group International, Inc. [(1)]	67,546,647	67,546,647	5.06%	202,639,941	5.06%
Other shareholders	603,102,375	603,102,375	45.15%	1,809,307,125	45.15%
TOTAL	**1,335,649,021**	**1,335,649,021**	**100.00%**	**4,006,947,063**	**100.00%**

[(1)] Number of shares according to the notification by Capital Group International, Inc. on 15 October 2010.

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 condensed 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 2011 and the condensed interim report for the 6 months ended 30 June 2011 is as follows:

	26 October 2011	27 July 2011
Maciej Witucki	305,557	305,557
Vincent Lobry	-	-
Piotr Muszyński	190,896	190,896
Jacques de Galzain	-	-
Jacek Kowalski	25,241	25,241

The members of the Supervisory Board of TP S.A. do not participate in the Company's incentive program and as at 26 October 2011 and 27 July 2011 held no bond with a pre-emption right.

As at 26 October 2011, i.e. the date of submission of the quarterly report for the third quarter of 2011, Maciej Witucki, President of the Management Board, held 4,000 TP S.A. shares and there was no TP S.A. share held by other members of the Management Board and the Supervisory Board of TP S.A.

As at 27 July 2011, i.e. the date of submission of the condensed interim report for the 6 months ended 30 June 2011, Maciej Witucki, President of the Management Board, held 4,000 TP S.A. shares and there was no TP S.A. share held by other members of the Management Board and 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 the guarantee or a collateral accounts for 10% or more of the Company's equity

In the 9 months ended 30 September 2011, the Company and 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 10% or more of TP S.A.'s shareholders equity.

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

TP S.A. 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 TP S.A., may affect its results over at least the next quarter

Over the next quarter, the Company's results may be further influenced by increasing competition from:
- cable television operators, offering also fixed voice and Internet access services, the potential of which may grow even further as a result of consolidation of market players;
- alternative fixed line operators providing fixed voice and Internet access services based on wholesale access to TP S.A.'s infrastructure;

- existing and new mobile operators which:
    - may increase price pressure on TP S.A.'s fixed revenue by competing for new subscribers on a saturated market and thus increasing F2M substitution,
    - enter the fixed voice market by attracting customers with Home Zone offers and introduce services based on wholesale access to TP S.A.'s infrastructure.

The Company may be also influenced by changes in the regulatory environment in Poland, in particular by continuously evolving regulated wholesale offers introduced in the last two years as well as a decrease in mobile termination rates (MTRs). On 11th May 2011 the President of UKE issued a decision for PTK Centertel setting the MTRs in PTK network – from 1st of July 2011 until 30th June 2012 in the amount of 15.20 groszy/minute and from 1st July 2012 – 12.23 groszy/minute. In exchange for slowdown of MTR cuts process, the President of UKE obliged PTK Centertel to make certain investments in white 2G and 3G zones.

Profitability could continue to be under pressure in 2011 mainly as a result of revenue erosion. Another factor influencing the market, including the Company, may be developments related to consolidation of players in the Polish telecommunication market, which has been progressing since 2010, including the ownership change in Polkomtel S.A., as well as, the rebranding of Era networks to T-Mobile.

A Memorandum of Understanding ("MoU") concerning implementation of transparency and non-discrimination in inter-operator relations has been in force since 22 October 2009. Information on the MoU and its impact on the Company was presented in Note 28.1.c to the Telekomunikacja Polska S.A. IFRS Separate Financial Statements for the year ended 31 December 2010.

As described in Note 8 to the Telekomunikacja Polska S.A. Condensed IFRS Quarterly Separate Financial Statements for the 3 months ended 30 September 2011, there are some major legal and regulatory proceedings, the outcome of which is uncertain and may influence the Company's results.

VI. Foreign exchange rates

The balance sheet data as at 30 September 2011 and 31 December 2010 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 balance sheet dates. The income statement data, together with the statement of comprehensive income and statement of cash flows data for the 9 months ended 30 September 2011 and 2010, 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 2011 and 2010.

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

	30 September 2011	31 December 2010	30 September 2010
Balance sheet	4.4112	3.9603 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.0413	Not applicable	4.0027 PLN