☐ - restated

POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the first quarter of 2012

(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 **first quarter** of **2012**, i.e. from **1 January 2012 to 31 March 2012**

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 April 2012**

TELEKOMUNIKACJA POLSKA SA
(full name of issuer)

TPSA
(abbreviated name of the issuer)

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

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(post code)

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(location)

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SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	1 quarter cumulative period from 01/01/2012 to 31/03/2012	1 quarter cumulative period from 01/01/2011 to 31/03/2011	1 quarter cumulative period from 01/01/2012 to 31/03/2012	1 quarter cumulative period from 01/01/2011 to 31/03/2011
condensed consolidated financial statements data				
I. Revenue	3 521 000	3 729 000	843 353	938 302
II. Operating income	404 000	367 000	96 766	92 346
III. Profit before income tax	296 000	236 000	70 898	59 383
IV. Consolidated net income	242 000	189 000	57 964	47 557
V. Net income attributable to owners of TP S.A.	242 000	189 000	57 964	47 557
VI. Earnings per share (in PLN/EUR) (basic and diluted)	0.18	0.14	0.04	0.04
VII. Weighted average number of shares (in millions) (basic and diluted)	1 323	1 336	1 323	1 336
VIII. Total comprehensive income	242 000	183 000	57 964	46 047
IX. Total comprehensive income attributable to owners of TP S.A.	242 000	183 000	57 964	46 047
X. Net cash provided by/(used in) operating activities	(1 317 000)	1 346 000	(315 449)	338 685
XI. Net cash used in investing activities	(886 000)	(946 000)	(212 216)	(238 035)
XII. Net cash used in financing activities	(26 000)	(15 000)	(6 228)	(3 774)
XIII. Total net change in cash and cash equivalents	(2 230 000)	385 000	(534 132)	96 875
	balance as at 31/03/2012	balance as at 31/12/2011	balance as at 31/03/2012	balance as at 31/12/2011
XIV. Total current assets	2 804 000	5 128 000	673 779	1 161 022
XV. Total non-current assets	22 480 000	23 091 000	5 401 769	5 227 993
XVI. Total assets	25 284 000	28 219 000	6 075 548	6 389 015
XVII. Total current liabilities	5 152 000	8 120 000	1 237 985	1 838 435
XVIII. Total non-current liabilities	5 638 000	5 765 000	1 354 767	1 305 244
XIX. Total equity	14 494 000	14 334 000	3 482 795	3 245 336
XX. Equity attributable to owners of TP S.A.	14 492 000	14 331 000	3 482 314	3 244 657
XXI. Share capital	4 007 000	4 007 000	962 851	907 218
condensed separate financial statements data				
	1 quarter cumulative period from 01/01/2012 to 31/03/2012	1 quarter cumulative period from 01/01/2011 to 31/03/2011	1 quarter cumulative period from 01/01/2012 to 31/03/2012	1 quarter cumulative period from 01/01/2011 to 31/03/2011
I. Revenue	1 858 000	1 990 000	445 030	500 730
II. Operating income	65 000	91 000	15 569	22 898
III. Profit/(loss) before income tax	82 000	(25 000)	19 641	(6 291)
IV. Net income/(loss)	108 000	(20 000)	25 868	(5 032)
V. Earnings/(loss) per share (in PLN/EUR) (basic and diluted)	0.08	(0.01)	0.02	-
VI. Weighted average number of shares (in millions) (basic and diluted)	1 323	1 336	1 323	1 336
VII. Total comprehensive income/(loss)	108 000	(31 000)	25 868	(7 800)
VIII. Net cash provided by/(used in) operating activities	(1 876 000)	465 000	(449 341)	117 005
IX. Net cash used in investing activities	(662 000)	(578 000)	(158 563)	(145 438)
X. Net cash provided by financing activities	345 000	379 000	82 635	95 365
XI. Total net change in cash and cash equivalents	(2 194 000)	266 000	(525 509)	66 932
	balance as at 31/03/2012	balance as at 31/12/2011	balance as at 31/03/2012	balance as at 31/12/2011
XII. Total current assets	2 102 000	4 146 000	505 094	938 689
XIII. Total non-current assets	23 783 000	24 331 000	5 714 869	5 508 739
XIV. Total assets	25 885 000	28 477 000	6 219 963	6 447 428
XV. Total current liabilities	5 833 000	8 266 000	1 401 624	1 871 491
XVI. Total non-current liabilities	7 386 000	7 572 000	1 774 798	1 714 363
XVII. Total equity	12 666 000	12 639 000	3 043 541	2 861 574
XVIII. Share capital	4 007 000	4 007 000	962 851	907 218

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

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

The ownership structure of the Company's share capital, based on the best information available to the Company as at 26 April 2012, i.e. the date of submission of the quarterly report for the first quarter 2012:

Shareholder	Number of shares held	Number of votes at the General Meeting of TP S.A.	Percentage of the total number of votes at the General Meeting of TP S.A.	Nominal value of shares held (in PLN)	Share in the capital
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	584,423,115	584,423,115	43.75%	1,753,269,345	43.75%
Telekomunikacja Polska S.A. (treasury shares) (2)	18,679,260	18,679,260	1.40%	56,037,780	1.40%
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.
(2) Voting rights attributable to treasury shares cannot be exercised at the General Meeting of TP S.A.

The ownership structure of the Company's share capital, based on the best information available to the Company as at 14 February 2012, i.e. the date of submission of the annual report for the 12 months ended 31 December 2011:

Shareholder	Number of shares held	Number of votes at the General Meeting of TP S.A.	Percentage of the total number of votes at the General Meeting of TP S.A.	Nominal value of shares held (in PLN)	Share in the capital
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	591,788,966	591,788,966	44.30%	1,775,366,898	44.30%
Telekomunikacja Polska S.A. (treasury shares) (2)	11,313,409	11,313,409	0.85%	33,940,227	0.85%
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.
(2) Voting rights attributable to treasury shares cannot be exercised at the General Meeting of TP S.A.

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 annual 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 first quarter of 2012 and the annual report for the 12 months ended 31 December 2011 is as follows:

	26 April 2012	14 February 2012
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 April 2012 and 14 February 2012 held no bond with a pre-emption right.

As at 26 April 2012, i.e. the date of submission of the quarterly report for the first quarter of 2012, 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 14 February 2012, i.e. the date of submission of the annual report for the 12 months ended 31 December 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 3 months ended 31 March 2012, 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

Factors that, in the Management Board's opinion, have influence on the Company's operations or may have such influence in the near future are presented in Section 5 of Management Board's Report on the Activity of Telekomunikacja Polska S.A. in 2011. Additionally, threats and risks that may impact the Company's operational and financial performance are reviewed in detail in the Chapter IV of the above mentioned Report.

VI. Foreign exchange rates

The balance sheet data as at 31 March 2012 and 31 December 2011 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 3 months ended 31 March 2012 and 2011, 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 3 month periods ended 31 March 2012 and 2011.

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

	31 March 2012	31 December 2011	31 March 2011
Balance sheet	4.1616 PLN	4.4168 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.1750 PLN	Not applicable	3.9742 PLN

TELEKOMUNIKACJA POLSKA S.A.

CONDENSED IFRS QUARTERLY SEPARATE FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2012

Contents

INCOME STATEMENT

(in PLN millions, except for earnings per share)

	3 months ended 31 March 2012 *(unaudited)*	***3 months ended 31 March 2011*** *(unaudited)*
Revenue	**1,858**	**1,990**
External purchases	(935)	(948)
Labour expenses	(374)	(352)
Other operating expense	(55)	(100)
Other operating income	132	77
Gains on disposal of assets	8	7
Depreciation and amortisation	(565)	(583)
Impairment of non-current assets	(4)	-
Operating income	**65**	**91**
Dividend income	187	-
Interest income	79	98
Interest expense and other financial charges	(197)	(223)
Foreign exchange gains/(losses)	(41)	14
Discounting expense	(11)	(5)
Finance income/(costs), net	**17**	**(116)**
Income tax	26	5
Net income/(loss)	**108**	**(20)**
Earnings/(loss) per share (in PLN) (basic and diluted)	**0.08**	**(0.01)**
Weighted average number of shares (in millions) (basic and diluted)	1,323	1,336

STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months ended 31 March 2012 *(unaudited)*	***3 months ended 31 March 2011*** *(unaudited)*
Net income/(loss)	**108**	**(20)**
Losses on cash flow hedges	-	(14)
Income tax relating to components of other comprehensive income	-	3
Other comprehensive loss, net of tax	**-**	**(11)**
Total comprehensive income/(loss)	**108**	**(31)**

BALANCE SHEET

(in PLN millions)

	At 31 March 2012 (unaudited)	*At 31 December 2011 (audited)*
ASSETS		
Intangible assets	1,397	1,396
Property, plant and equipment	11,810	12,100
Investments in subsidiaries	7,228	7,228
Financial assets available for sale	4	4
Loans and receivables excluding trade receivables	2,764	2,845
Financial assets at fair value through profit or loss	116	148
Hedging derivatives	54	129
Deferred tax assets	410	481
Total non-current assets	**23,783**	**24,331**
Inventories	62	54
Trade receivables	818	852
Loans and receivables excluding trade receivables	340	328
Financial assets at fair value through profit or loss	56	225
Income tax assets	27	-
Other assets	360	88
Prepaid expenses	49	15
Cash and cash equivalents	390	2,584
Total current assets	**2,102**	**4,146**
TOTAL ASSETS	**25,885**	**28,477**
EQUITY AND LIABILITIES		
Share capital	4,007	4,007
Share premium	832	832
Treasury shares	(281)	(200)
Other reserves	6	6
Retained earnings	8,102	7,994
Total equity	**12,666**	**12,639**
Financial liabilities at amortised cost excluding trade payables	6,673	6,951
Financial liabilities at fair value through profit or loss	111	53
Hedging derivatives	98	65
Employee benefits	245	241
Provisions	183	201
Other liabilities	15	15
Deferred income	61	46
Total non-current liabilities	**7,386**	**7,572**
Financial liabilities at amortised cost excluding trade payables	2,972	2,566
Financial liabilities at fair value through profit or loss	50	-
Hedging derivatives	1	-
Trade payables	1,426	2,184
Employee benefits	185	158
Provisions	855	3,039
Income tax payable	13	13
Other liabilities	195	204
Deferred income	136	102
Total current liabilities	**5,833**	**8,266**
TOTAL EQUITY AND LIABILITIES	**25,885**	**28,477**

STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Treasury shares	Other reserves				Retained earnings	Total
				Hedging instruments	Actuarial losses on post-employment benefits	Deferred tax	Share-based payments		
Balance at 1 January 2011 *(audited)*	**4,007**	**832**	**-**	**2**	**(67)**	**12**	**68**	**8,046**	**12,900**
Total comprehensive loss for the 3 months ended 31 March 2011	-	-	-	(14)	-	3	-	(20)	(31)
Balance at 31 March 2011 *(unaudited)*	**4,007**	**832**	**-**	**(12)**	**(67)**	**15**	**68**	**8,026**	**12,869**
Balance at 1 January 2012 *(audited)*	**4,007**	**832**	**(200)**	**11**	**(87)**	**14**	**68**	**7,994**	**12,639**
Total comprehensive income for the 3 months ended 31 March 2012	-	-	-	-	-	-	-	108	108
Purchase of treasury shares	-	-	(81)	-	-	-	-	-	(81)
Balance at 31 March 2012 *(unaudited)*	**4,007**	**832**	**(281)**	**11**	**(87)**	**14**	**68**	**8,102**	**12,666**

STATEMENT OF CASH FLOWS

(in PLN millions)

	3 months ended 31 March 2012 (unaudited)	*3 months ended 31 March 2011 (unaudited)*
OPERATING ACTIVITIES		
Net income/(loss)	108	(20)
Adjustments to reconcile net income/(loss) to cash from operating activities		
Depreciation and amortisation	565	583
Impairment of non-current assets	4	-
Gains on disposal of assets	(8)	(7)
Change in provisions	(2,209)	(26)
Income tax	(26)	(5)
Finance (income)/costs, net, excluding realised exchange rate effect on cash and cash equivalents	(20)	115
Operational foreign exchange and derivatives gains, net	(9)	(1)
Change in working capital (trade)		
Increase in inventories	(8)	(10)
Decrease/(increase) in trade receivables	39	(63)
Increase/(decrease) in trade payables	(358)	40
Change in working capital (non-trade)		
Decrease/(increase) in prepaid expenses and other receivables	(69)	19
Increase/(decrease) in accrued expenses, other payables and deferred income	81	(14)
Interest received	10	23
Interest and interest rates effect on derivatives paid, net	(107)	(105)
Exchange rate effect on derivatives, net	131	(43)
Income tax paid	-	(21)
Net cash provided by/(used in) operating activities	**(1,876)**	**465**
INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(293)	(215)
Decrease in amounts due to fixed assets suppliers	(391)	(367)
Decrease in receivables related to leased fixed assets	2	2
Exchange rate effect on derivatives economically hedging capital expenditures, net	(2)	-
Proceeds from sale of property, plant and equipment and intangible assets	11	7
Proceeds from sale of investments in subsidiaries	1	-
Increase in loans and other financial assets	(1)	-
Exchange rate effect on other derivatives, net	11	(5)
Net cash used in investing activities	**(662)**	**(578)**
FINANCING ACTIVITIES		
Repayment of long-term debt	(4)	(2)
Increase in short-term debt	422	391
Purchase of treasury shares	(63)	-
Exchange rate effect on hedging instruments, net	(10)	(10)
Net cash provided by financing activities	**345**	**379**
Net change in cash and cash equivalents	(2,193)	266
Effect of changes in exchange rates and other impacts on cash and cash equivalents	(1)	-
Cash and cash equivalents at the beginning of the period	2,584	2,268
Cash and cash equivalents at the end of the period	**390**	**2,534**

1. Telekomunikacja Polska S.A.

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

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

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

2. Statement of compliance and basis for preparation

Basis for preparation

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 2011.

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 authorised for issuance by the Management Board on 25 April 2012.

Adoption of standards, amendments to standards and interpretations which are compulsory as at 1 January 2012

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, 2012:

- Amendments to IFRS 7 "Financial Instruments: Disclosures – Transfers of Financial Assets".

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 2015. This standard has 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 analysing 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 S.A. IFRS Separate Financial Statements for the year ended 31 December 2011 (see Notes 2 and 3 to Telekomunikacja Polska S.A. IFRS Separate Financial Statements for the year ended 31 December 2011).

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. Disposals of investments in subsidiaries

The list of subsidiaries of the Company as at and for the 3 months ended 31 March 2012 is presented in the Note 13.1 of the Telekomunikacja Polska S.A. IFRS Separate Financial Statements for the year ended 31 December 2011.

On 27 January 2012, TP S.A. concluded a share sale agreement with Comp S.A. under which the investment in PayTel S.A. was disposed of and the loan receivable from PayTel S.A. settled for a total consideration amounting to PLN 6 million.

6. 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 9, 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 31 March 2012, 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.

The amount of cash flows from operating activities for the 3 months ended 31 March 2012 includes the effect of the settlement agreement with DPTG (see Note 9.c) resulting in a payment of EUR 550 million (PLN 2,449 million).

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

Purchase of treasury shares

During the 3 months ended 31 March 2012, in the course of the programme of buy-back of own shares, TP S.A. purchased a total of 4,784,916 own shares accounting for 0.36% of the share capital, for a total consideration of PLN 81 million (of which PLN 63 million paid). Details of the programme are described in Note 26.3 to the Telekomunikacja Polska S.A. IFRS Separate Financial Statements for the year ended 31 December 2011.

As at 31 March 2012, TP S.A. held 16,098,325 own shares (out of 1,335,649,021 shares in issue) accounting for 1.21% of the share capital, purchased for a total consideration of PLN 281 million. Additionally, until the date of the authorisation of these Quarterly Separate Financial Statements, the Company purchased 2,580,935 own shares accounting for 0.19% of the share capital, for a total consideration of PLN 43 million. The programme will be carried out until the total amount of funds allocated to the programme is PLN 800 million, but not later than 31 December 2012.

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

In the 3 months ended 31 March 2012, 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 3 months ended 31 March 2012, the net cash flows on the bonds amounted to PLN 358 million. As a result of the issues and redemptions, the aggregate par value of the outstanding bonds issued under the programme amounted to PLN 1,843 million as at 31 March 2012.

8. Dividends

On 12 April 2012, the General Meeting of TP S.A. adopted a resolution on the payment of an ordinary dividend of PLN 1.50 per share from 2011 profit and retained earnings from previous years. Treasury shares (see Note 7) held on 21 June 2012, which is the dividend day, will not be entitled to the dividend. The payment date will be 5 July 2012.

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

a. Proceedings by UKE and UOKiK

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 and, on 3 February 2012, the Court dismissed the appeal. Therefore the verdict of SOKiK annulling the fine is binding. UKE can lodge a cassation appeal to the Supreme Court within two months of receipt of written reasons from the Court of Appeal.
On 12 July 2011, SOKiK annulled for the second time the fine of PLN 100 million. UKE appealed that verdict on 28 November 2011. The Company has not yet been notified of the hearing date of the Court of Appeal. 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. The Court of Appeal scheduled a hearing for 12 June 2012.

b. Proceedings by the European Commission related to broadband access

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. 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.

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.

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 European Commission answered to the appeal on 13 January 2012. Based on previous similar cases, the proceedings at the Court may last two or three years. The judgment of the General Court of the European Union could be appealed to the Court of Justice by any of the parties.

On 16 April 2012, TP S.A. received a notification of a hearing on Netia S.A.'s motion from the Warsaw Commercial Court. The hearing is to be held on 10 May 2012. In its motion Netia S.A. calls on TP S.A. for an amicable settlement of a damages claim based on the above mentioned European Commission decision. In the TP S.A. Management's opinion, Netia S.A.'s motion does not constitute any reasonable grounds on which to assess whether or not Netia SA suffered any damage.

c. Dispute with DPTG

Information on the dispute between the Company and DPTG, and its conclusion was presented in Note 28.e to the Telekomunikacja Polska S.A. IFRS Separate Financial Statements for the year ended 31 December 2011.

On 12 January 2012, the Management Board of TP S.A., acting in the best interest of the Company and its shareholders, signed a settlement agreement that concluded this dispute. Pursuant to the agreement, TP S.A. paid DPTG a total of EUR 550 million (PLN 2,449 million) and DPTG waived any existing and possible new claim in relation to the dispute. All proceedings instituted by DPTG or TP S.A. within the dispute have been terminated.

d. Guarantees

As at 31 March 2012 and 31 December 2011, total guarantees granted by Telekomunikacja Polska S.A. to purchasers of debt securities denominated in EUR and issued by a subsidiary amounted to PLN 3,063 million and PLN 3,205 million, respectively.

10. Related party transactions

As at 31 March 2012, France Telecom S.A. owned 49.79% of shares of the Company and held 49.79% of votes at the General Meeting of TP S.A. 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 and interconnect, data transmission, property rental and related fees and fees for distribution of products through its own sales network. The purchases from the subsidiaries comprise mainly customer support and management services, selling fees, consulting services, leased lines, costs of interconnect, network services and property rental and related fees. Costs incurred by the Company in transactions with its subsidiaries also comprise donations to Fundacja Orange.

TP S.A.'s income earned from France Telecom Group comprises mainly interconnect, research and development services, data transmission and reimbursement of rebranding expenditures. The purchases from the France Telecom Group comprise mainly interconnect, costs of leased lines, network services, IT services and consulting services.

The Company's income earned from TP Group's joint ventures comprises transactions with NetWorkS! Sp. z o.o. - a jointly controlled entity of TP Group and Polska Telefonia Cyfrowa S.A. which conducts networks management, development and maintenance.

TP S.A.'s financial income earned from its subsidiaries comprises dividends from subsidiaries, interest on bonds issued by subsidiaries and interest on loans granted to subsidiaries. Financial costs incurred by TP S.A. in transactions with related parties mainly comprise interest on bonds issued to the subsidiaries, interest on loans from the subsidiaries and interest on short-term loan from France Telecom S.A. received on 12 January 2012 and repaid after 6 days which allowed immediate realisation of the settlement agreement with DPTG (see Note 9.c). The Company's financial receivables from its related parties mainly comprise bonds issued by subsidiaries and NetWorkS! Sp. z o.o., dividends from and loans granted to the subsidiaries, together with accrued interests. Financial payables to related parties comprise bonds issued to the subsidiaries and loans from the subsidiaries, together with accrued interests.

(in PLN millions)	*3 months ended 31 March 2012*	*3 months ended 31 March 2011*
Sales of goods, services and other income from:	**334**	**285**
TP Group	255	248
- TP Group (subsidiaries)	253	248
- TP Group's joint ventures	2	-
France Telecom Group	79	37
- France Telecom S.A. (parent)	27	27
- France Telecom (group)	52	10
Purchases of goods (including inventories, tangible and intangible assets) and services from:	**366**	**412**
TP Group (subsidiaries)	321	375
France Telecom Group	45	37
- France Telecom S.A. (parent)	30	23
- France Telecom (group)	15	14
Financial income:	**257**	**76**
TP Group (subsidiaries)	257	76
Financial expense:	**125**	**140**
TP Group (subsidiaries)	124	140
France Telecom S.A. (parent)	1	-

(in PLN millions)	*At 31 March 2012*	*At 31 December 2011*
Receivables from:	**299**	**318**
TP Group	201	210
- TP Group (subsidiaries)	198	206
- TP Group's joint ventures	3	4
France Telecom Group	98	108
- France Telecom S.A. (parent)	52	102
- France Telecom (group)	46	6
Financial receivables from:	**3,270**	**3,155**
TP Group	3,270	3,155
- TP Group (subsidiaries)	3,264	3,155
- TP Group's joint ventures	6	-
Payables to:	**329**	**383**
TP Group (subsidiaries)	210	262
France Telecom Group	119	121
- France Telecom S.A. (parent)	101	98
- France Telecom (group)	18	23
Financial payables to:	**7,956**	**7,801**
TP Group (subsidiaries)	7,956	7,801

Compensation (remuneration, bonuses and termination indemnities, including compensation under a competition prohibition clause - cash, benefits in kind or any other benefits) paid in accordance with contractual commitments to TP S.A.'s Management Board and Supervisory Board members during the 3 months ended 31 March 2012 and 2011 amounted to PLN 3.5 million and PLN 4.1 million, including PLN 1.4 million and PLN 1.3 million accrued in previous periods, respectively. During the 3 months ended 31 March 2012 and 2011, the amount of accrued cost of compensation for the Company's Management Board amounted to PLN 0.9 million and PLN 0.8 million, respectively.

11. Subsequent events

There was no significant event after the balance sheet date.

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

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

The ownership structure of the Company's share capital, based on the best information available to the Company as at 26 April 2012, i.e. the date of submission of the quarterly report for the first quarter of 2012:

Shareholder	Number of shares held	Number of votes at the General Meeting of TP S.A.	Percentage of the total number of votes at the General Meeting of TP S.A.	Nominal value of shares held (in PLN)	Share in the capital
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	584,423,115	584,423,115	43.75%	1,753,269,345	43.75%
Telekomunikacja Polska S.A. (treasury shares) (2)	18,679,260	18,679,260	1.40%	56,037,780	1.40%
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.
(2) Voting rights attributable to treasury shares cannot be exercised at the General Meeting of TP S.A.

The ownership structure of the Company's share capital, based on the best information available to the Company as at 14 February 2012, i.e. the date of submission of the annual report for the 12 months ended 31 December 2011:

Shareholder	Number of shares held	Number of votes at the General Meeting of TP S.A.	Percentage of the total number of votes at the General Meeting of TP S.A.	Nominal value of shares held (in PLN)	Share in the capital
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	591,788,966	591,788,966	44.30%	1,775,366,898	44.30%
Telekomunikacja Polska S.A. (treasury shares) (2)	11,313,409	11,313,409	0.85%	33,940,227	0.85%
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.
(2) Voting rights attributable to treasury shares cannot be exercised at the General Meeting of TP S.A.

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 annual 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 first quarter of 2012 and the annual report for the 12 months ended 31 December 2011 is as follows:

	26 April 2012	14 February 2012
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 April 2012 and 14 February 2012 held no bond with a pre-emption right.

As at 26 April 2012, i.e. the date of submission of the quarterly report for the first quarter of 2012, 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 14 February 2012, i.e. the date of submission of the annual report for the 12 months ended 31 December 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 3 months ended 31 March 2012, 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

Factors that, in the Management Board's opinion, have influence on the Group's operations or may have such influence in the near future are presented in Section 6 of Management Board's Report on the Activity of Telekomunikacja Polska Group in 2011. Additionally, threats and risks that may impact the Group's operational and financial performance are reviewed in detail in the Chapter IV of the above mentioned Report.

VI. Foreign exchange rates

The balance sheet data as at 31 March 2012 and 31 December 2011 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 3 months ended 31 March 2012 and 2011, 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 3 month periods ended 31 March 2012 and 2011.

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

	31 March 2012	**31 December 2011**	**31 March 2011**
Balance sheet	4.1616 PLN	4.4168 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.1750 PLN	Not applicable	3.9742 PLN

TELEKOMUNIKACJA POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2012

Contents

CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings per share)

	3 months ended 31 March 2012 *(unaudited)*	***3 months ended 31 March 2011*** *(unaudited)*
Revenue	**3,521**	**3,729**
External purchases	(1,743)	(1,703)
Labour expenses	(552)	(556)
Other operating expense	(143)	(170)
Other operating income	133	40
Gains on disposal of assets	8	5
Depreciation and amortisation	(817)	(978)
Impairment of non-current assets	(4)	-
Share of profit of investments accounted for using the equity method	1	-
Operating income	**404**	**367**
Interest income	10	24
Interest expense and other financial charges	(110)	(140)
Foreign exchange gains	9	5
Discounting expense	(17)	(20)
Finance costs, net	**(108)**	**(131)**
Income tax	(54)	(47)
Consolidated net income	**242**	**189**
Net income attributable to owners of TP S.A.	242	189
Net income attributable to non-controlling interests	-	-
Earnings per share (in PLN) (basic and diluted)	**0.18**	**0.14**
Weighted average number of shares (in millions) (basic and diluted)	1,323	1,336

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months ended 31 March 2012 *(unaudited)*	***3 months ended 31 March 2011*** *(unaudited)*
Consolidated net income	**242**	**189**
Losses on cash flow hedges	-	(11)
Actuarial gains on post-employment benefits	-	4
Income tax relating to components of other comprehensive income	-	1
Other comprehensive loss, net of tax	**-**	**(6)**
Total comprehensive income	**242**	**183**
Total comprehensive income attributable to owners of TP S.A.	242	183
Total comprehensive income attributable to non-controlling interests	-	-

CONSOLIDATED BALANCE SHEET

(in PLN millions)

	At 31 March 2012 *(unaudited)*	***At 31 December 2011*** *(audited)*
ASSETS		
Goodwill	4,016	4,016
Other intangible assets	2,926	2,955
Property, plant and equipment	14,516	14,912
Investments accounted for using the equity method	17	16
Financial assets available for sale	4	4
Loans and receivables excluding trade receivables	15	12
Financial assets at fair value through profit or loss	106	132
Hedging derivatives	64	145
Deferred tax assets	816	899
Total non-current assets	**22,480**	**23,091**
Inventories	214	214
Trade receivables	1,419	1,506
Loans and receivables excluding trade receivables	14	8
Financial assets at fair value through profit or loss	62	234
Hedging derivatives	2	-
Income tax assets	29	1
Other assets	312	227
Prepaid expenses	122	78
Cash and cash equivalents	630	2,860
Total current assets	**2,804**	**5,128**
TOTAL ASSETS	**25,284**	**28,219**
EQUITY AND LIABILITIES		
Share capital	4,007	4,007
Share premium	832	832
Treasury shares	(281)	(200)
Other reserves	24	24
Translation adjustment	(5)	(5)
Retained earnings	9,915	9,673
Equity attributable to owners of TP S.A.	**14,492**	**14,331**
Non-controlling interests	2	3
Total equity	**14,494**	**14,334**
Financial liabilities at amortised cost excluding trade payables	3,979	4,170
Financial liabilities at fair value through profit or loss	111	53
Hedging derivatives	98	65
Trade payables	788	825
Employee benefits	294	285
Provisions	290	304
Other liabilities	15	15
Deferred income	63	48
Total non-current liabilities	**5,638**	**5,765**
Financial liabilities at amortised cost excluding trade payables	789	767
Financial liabilities at fair value through profit or loss	46	-
Hedging derivatives	6	-
Trade payables	2,253	3,199
Employee benefits	278	240
Provisions	941	3,130
Income tax payable	34	37
Other liabilities	231	202
Deferred income	574	545
Total current liabilities	**5,152**	**8,120**
TOTAL EQUITY AND LIABILITIES	**25,284**	**28,219**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Treasury shares	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 2011 *(audited)*	**4,007**	**832**	**-**	**2**	**(66)**	**12**	**79**	**(6)**	**9,760**	**14,620**	**14**	**14,634**
Total comprehensive income for the 3 months ended 31 March 2011	-	-	-	(11)	4	1	-	-	189	183	-	183
Dividends	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Balance at 31 March 2011 *(unaudited)*	**4,007**	**832**	**-**	**(9)**	**(62)**	**13**	**79**	**(6)**	**9,949**	**14,803**	**13**	**14,816**
Balance at 1 January 2012 *(audited)*	**4,007**	**832**	**(200)**	**10**	**(77)**	**12**	**79**	**(5)**	**9,673**	**14,331**	**3**	**14,334**
Total comprehensive income for the 3 months ended 31 March 2012	-	-	-	-	-	-	-	-	242	242	-	242
Purchase of treasury shares	-	-	(81)	-	-	-	-	-	-	(81)	-	(81)
Dividends	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Balance at 31 March 2012 *(unaudited)*	**4,007**	**832**	**(281)**	**10**	**(77)**	**12**	**79**	**(5)**	**9,915**	**14,492**	**2**	**14,494**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)

	3 months ended 31 March 2012 *(unaudited)*	***3 months ended 31 March 2011*** *(unaudited)*
OPERATING ACTIVITIES		
Consolidated net income	242	189
Adjustments to reconcile net income to cash from operating activities		
Depreciation and amortisation	817	978
Impairment of non-current assets	4	-
Gains on disposal of assets	(8)	(5)
Change in provisions	(2,234)	9
Share of profit of investments accounted for using the equity method	(1)	-
Income tax	54	47
Finance costs, net, excluding realised exchange rate effect on cash and cash equivalents	109	136
Operational foreign exchange and derivatives (gains)/losses, net	(9)	5
Change in working capital (trade)		
Increase in inventories	-	(4)
Decrease in trade receivables	114	12
Increase/(decrease) in trade payables	(446)	81
Change in working capital (non-trade)		
Decrease/(increase) in prepaid expenses and other receivables	(121)	46
Increase in accrued expenses, other payables and deferred income	102	27
Interest received	11	24
Interest and interest rate effect on derivatives paid, net	(77)	(99)
Exchange rate effect on derivatives, net	130	(43)
Income tax paid	(4)	(57)
Net cash provided by/(used in) operating activities	**(1,317)**	**1,346**
INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(413)	(352)
Decrease in amounts due to fixed assets suppliers	(486)	(596)
Decrease in receivables related to leased fixed assets	2	1
Exchange rate effect on derivatives economically hedging capital expenditures, net	17	(4)
Proceeds from sale of property, plant and equipment and intangible assets	12	5
Proceeds from sale of subsidiaries, net of cash and transaction costs	3	-
Increase in loans and other financial assets	(6)	-
Exchange rate effect on other derivatives, net	(15)	-
Net cash used in investing activities	**(886)**	**(946)**
FINANCING ACTIVITIES		
Repayment of long-term debt	(4)	(3)
Increase/(decrease) in short-term debt	51	(2)
Purchase of treasury shares	(63)	-
Exchange rate effect on hedging instruments, net	(10)	(10)
Net cash used in financing activities	**(26)**	**(15)**
Net change in cash and cash equivalents	(2,229)	385
Effect of changes in exchange rates and other impacts on cash and cash equivalents	(1)	-
Cash and cash equivalents at the beginning of the period	2,860	2,447
Cash and cash equivalents at the end of the period	**630**	**2,832**[(1)]

[(1)] Includes PLN 7 million of cash and cash equivalents classified as assets held for sale.

SEGMENT REVENUE AND SEGMENT RESULTS

For management purposes, the Telekomunikacja Polska Group ("the Group") is organised 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 amortisation expense, impairment of non-current assets and share of profit of investments accounted for using the equity method. 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 of the operating segments is presented below:

(in PLN millions)	*Fixed line telecommunications*	*Mobile telecommunications*	*Eliminations and unallocated items*	*Consolidated*
	3 months ended 31 March 2012			
Revenue:	1,927	1,861	(267)	3,521
External	1,719	1,802	-	3,521
Inter-segment	208	59	(267)	-
EBITDA	701	523	-	1,224
EBIT	125	279	-	404
Capital expenditures	298	115	-	413
	3 months ended 31 March 2011			
Revenue:	2,131	1,856	(258)	3,729
External	1,938	1,791	-	3,729
Inter-segment	193	65	(258)	-
EBITDA	821	524	-	1,345
EBIT	217	150	-	367
Capital expenditures	227	125	-	352

1. The Telekomunikacja Polska Group

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

The Group is the principal supplier of telecommunications services in Poland. Telekomunikacja Polska provides fixed-line telephony services (local, domestic and international calls), Integrated Services Digital Network ("ISDN"), fixed access to the Internet, TV and Voice over Internet Protocol ("VoIP"). Telekomunikacja Polska provides telecommunications services on the basis of entry number 1 in the register of telecommunications companies maintained by the President of Office of Electronic Communication ("UKE"). Through its subsidiary, Polska Telefonia Komórkowa-Centertel Sp. z o.o. ("PTK-Centertel"), the Group is one of Poland's major 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, 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 2011.

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 authorised for issuance by the Management Board on 25 April 2012.

<u>Adoption of standards, amendments to standards and interpretations which are compulsory as at 1 January 2012</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, 2012:

- Amendments to IFRS 7 "Financial Instruments: Disclosures – Transfers of Financial Assets".

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 2015. This standard has 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 analysing 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 2011 (see Notes 2 and 3 to Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2011).

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

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

5. Changes in scope of consolidation

The list of entities included in the Quarterly Consolidated Financial Statements as at and for the 3 months ended 31 March 2012 is presented in the Note 1.2 of the Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2011.

On 27 January 2012, the Group concluded a share sale agreement with Comp S.A. under which the 100% shareholding in PayTel S.A. was disposed of for a total consideration amounting to PLN 6 million.

If TP Emitel Sp. z o.o., a subsidiary disposed of in 2011, had not been a part of the Group during the 3 months ended 31 March 2011, consolidated revenue and consolidated net income would be lower by PLN 80 million and PLN 26 million, respectively. TP Emitel Sp. z o. o. was included in the fixed line telecommunications operating segment.

6. 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 9, 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 31 March 2012, 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.

The amount of cash flows from operating activities for the 3 months ended 31 March 2012 includes the effect of the settlement agreement with DPTG (see Note 9.c) resulting in a payment of EUR 550 million (PLN 2,449 million).

7. Purchase of treasury shares

During the 3 months ended 31 March 2012, in the course of the programme of buy-back of own shares, TP S.A. purchased a total of 4,784,916 own shares accounting for 0.36% of the share capital, for a total consideration of PLN 81 million (of which PLN 63 million paid). Details of the programme are described in Note 29.3 to the Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2011.

As at 31 March 2012, TP S.A. held 16,098,325 own shares (out of 1,335,649,021 shares in issue) accounting for 1.21% of the share capital, purchased for a total consideration of PLN 281 million. Additionally, until the date of the authorisation of these Quarterly Consolidated Financial Statements, the Company purchased 2,580,935 own shares accounting for 0.19% of the share capital, for a total consideration of PLN 43 million. The programme will be carried out until the total amount of funds allocated to the programme is PLN 800 million, but not later than 31 December 2012.

8. Dividends

On 12 April 2012, the General Meeting of TP S.A. adopted a resolution on the payment of an ordinary dividend of PLN 1.50 per share from 2011 profit and retained earnings from previous years. Treasury shares (see Note 7) held on 21 June 2012, which is the dividend day, will not be entitled to the dividend. The payment date will be 5 July 2012.

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

a. Proceedings by UKE and UOKiK

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 and, on 3 February 2012, the Court dismissed the appeal. Therefore the verdict of SOKiK annulling the fine is binding. UKE can lodge a cassation appeal to the Supreme Court within two months of receipt of written reasons from the Court of Appeal.
On 12 July 2011, SOKiK annulled for the second time the fine of PLN 100 million. UKE appealed that verdict on 28 November 2011. The Company has not yet been notified of the hearing date of the Court of Appeal. 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. The Court of Appeal scheduled a hearing for 12 June 2012.

Proceedings by UOKiK related to mobile television
On 23 November 2011, UOKiK issued a decision imposing fines on PTK-Centertel, Polkomtel S.A., Polska Telefonia Cyfrowa S.A. and P4 Sp. z o.o. (on PTK-Centertel – PLN 35 million) for alleged agreement restricting competition on the domestic retail and wholesale market for mobile television based on DVB-H technology. PTK-Centertel disagreed with the decision of UOKiK and did not pay the fine. On 7 December 2011, PTK-Centertel appealed against that decision. The appeal proceedings are in the preliminary stage. The Group has not yet been notified on any scheduled date.

b. Proceedings by the European Commission related to broadband access

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. 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.

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.

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 European Commission answered to the appeal on 13 January 2012. Based on previous similar cases, the proceedings at the Court may last two or three years. The judgment of the General Court of the European Union could be appealed to the Court of Justice by any of the parties.

On 16 April 2012, TP S.A. received a notification of a hearing on Netia S.A.'s motion from the Warsaw Commercial Court. The hearing is to be held on 10 May 2012. In its motion Netia S.A. calls on TP S.A. for an amicable settlement of a damages claim based on the above mentioned European Commission decision. In the TP S.A. Management's opinion, Netia S.A.'s motion does not constitute any reasonable grounds on which to assess whether or not Netia SA suffered any damage.

c. Dispute with DPTG

Information on the dispute between the Company and DPTG, and its conclusion was presented in Note 31.e to the Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2011.

On 12 January 2012, the Management Board of TP S.A., acting in the best interest of the Company and its shareholders, signed a settlement agreement that concluded this dispute. Pursuant to the agreement, TP S.A. paid DPTG a total of EUR 550 million (PLN 2,449 million) and DPTG waived any existing and possible new claim in relation to the dispute. All proceedings instituted by DPTG or TP S.A. within the dispute have been terminated.

10. Related party transactions

As at 31 March 2012, France Telecom S.A. owned 49.79% of shares of the Company and held 49.79% of votes at the General Meeting of TP S.A. 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, data transmission and reimbursement of rebranding expenditures. 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. - a jointly controlled entity of the Group and Polska Telefonia Cyfrowa S.A. which conducts networks management, development and maintenance.

Financial costs incurred by the Group in transactions with related parties comprise interest on short-term loan from France Telecom S.A. received on 12 January 2012 and repaid after 6 days which allowed immediate realisation of the settlement agreement with DPTG (see Note 9.c). The Group's financial receivables from its related parties comprise bonds issued by NetWorkS! Sp. z o.o.

(in PLN millions)	*3 months ended 31 March 2012*	*3 months ended 31 March 2011*
Sales of goods, services and other income from:	**87**	**42**
TP Group's entities accounted for using the equity method	3	-
France Telecom S.A. (parent)	29	30
France Telecom (group)	55	12
Purchases of goods (including inventories, tangible and intangible assets) and services from:	**110**	**72**
TP Group's entities accounted for using the equity method	28	-
France Telecom S.A. (parent)	36	29
France Telecom (group)	46	43
- including Orange Brand Services Limited (brand licence agreement)	*26*	*28*
Financial expense:	**1**	**-**
France Telecom S.A. (parent)	1	-

(in PLN millions)	*At 31 March 2012*	*At 31 December 2011*
Receivables from:	**132**	**143**
TP Group's entities accounted for using the equity method	9	10
France Telecom S.A. (parent)	58	108
France Telecom (group)	65	25
Financial receivables from:	**6**	**-**
TP Group's entities accounted for using the equity method	6	-
Payables to:	**245**	**236**
TP Group's entities accounted for using the equity method	21	9
France Telecom S.A. (parent)	149	147
France Telecom (group)	75	80

Compensation (remuneration, bonuses and termination indemnities, including compensation under a competition prohibition clause - cash, benefits in kind or any other benefits) paid in accordance with contractual commitments to TP S.A.'s Management Board and Supervisory Board members during the 3 months ended 31 March 2012 and 2011 amounted to PLN 3.5 million and PLN 4.1 million, including PLN 1.4 million and PLN 1.3 million accrued in previous periods, respectively. During the 3 months ended 31 March 2012 and 2011, the amount of accrued cost of compensation for the Company's Management Board amounted to PLN 0.9 million and PLN 0.8 million, respectively.

11. Subsequent events

There was no significant event after the balance sheet date.