☐ - restated

POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the third 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, with amendments)
for the issuers in sectors of production, construction, trade or services

for the **third quarter** of **2012**, i.e. **from 1 January 2012 to 30 September 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: **24 October 2012**

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)

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SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	3 quarter cumulative period from 01/01/2012 to 30/09/2012	3 quarter cumulative period from 01/01/2011 to 30/09/2011	3 quarter cumulative period from 01/01/2012 to 30/09/2012	3 quarter cumulative period from 01/01/2011 to 30/09/2011
condensed consolidated financial statements data				
I. Revenue	10 663 000	11 198 000	2 541 957	2 770 891
II. Operating income	1 384 000	2 018 000	329 932	499 344
III. Profit before income tax	1 003 000	1 687 000	239 106	417 440
IV. Consolidated net income	804 000	1 560 000	191 666	386 014
V. Net income attributable to owners of TP S.A.	804 000	1 559 000	191 666	385 767
VI. Earnings per share (in PLN/EUR) (basic and diluted)	0.61	1.17	0.15	0.29
VII. Weighted average number of shares (in millions) (basic and diluted)	1 317	1 336	1 317	1 336
VIII. Total comprehensive income	783 000	1 584 000	186 660	391 953
IX. Total comprehensive income attributable to owners of TP S.A.	783 000	1 583 000	186 660	391 706
X. Net cash provided by operating activities	764 000	3 717 000	182 130	919 754
XI. Net cash used in investing activities	(2 157 000)	(567 000)	(514 208)	(140 301)
XII. Net cash used in financing activities	(1 005 000)	(3 347 000)	(239 582)	(828 199)
XIII. Total net change in cash and cash equivalents	(2 387 000)	(201 000)	(569 038)	(49 736)
	balance as at 30/09/2012	balance as at 31/12/2011	balance as at 30/09/2012	balance as at 31/12/2011
XIV. Total current assets	2 393 000	5 128 000	581 701	1 161 022
XV. Total non-current assets	21 534 000	23 091 000	5 234 576	5 227 993
XVI. Total assets	23 927 000	28 219 000	5 816 277	6 389 015
XVII. Total current liabilities	6 367 000	8 120 000	1 547 717	1 838 435
XVIII. Total non-current liabilities	4 613 000	5 765 000	1 121 348	1 305 244
XIX. Total equity	12 947 000	14 334 000	3 147 212	3 245 336
XX. Equity attributable to owners of TP S.A.	12 945 000	14 331 000	3 146 726	3 244 657
XXI. Share capital	4 007 000	4 007 000	974 039	907 218
condensed separate financial statements data				
	3 quarter cumulative period from 01/01/2012 to 30/09/2012	3 quarter cumulative period from 01/01/2011 to 30/09/2011	3 quarter cumulative period from 01/01/2012 to 30/09/2012	3 quarter cumulative period from 01/01/2011 to 30/09/2011
I. Revenue	5 603 000	5 877 000	1 335 701	1 454 235
II. Operating income	291 000	1 111 000	69 372	274 912
III. Profit before income tax	1 474 000	1 844 000	351 387	456 289
IV. Net income	1 508 000	1 865 000	359 493	461 485
V. Earnings per share (in PLN/EUR) (basic and diluted)	1.15	1.40	0.27	0.35
VI. Weighted average number of shares (in millions) (basic and diluted)	1 317	1 336	1 317	1 336
VII. Total comprehensive income	1 494 000	1 868 000	356 155	462 228
VIII. Net cash provided by operating activities	306 000	2 118 000	72 947	524 089
IX. Net cash used in investing activities	(1 567 000)	(1 419 000)	(373 558)	(351 125)
X. Net cash used in financing activities	(1 049 000)	(1 585 000)	(250 072)	(392 201)
XI. Total net change in cash and cash equivalents	(2 315 000)	(890 000)	(551 874)	(220 226)
	balance as at 30/09/2012	balance as at 31/12/2011	balance as at 30/09/2012	balance as at 31/12/2011
XII. Total current assets	2 274 000	4 146 000	552 774	938 689
XIII. Total non-current assets	22 814 000	24 331 000	5 545 724	5 508 739
XIV. Total assets	25 088 000	28 477 000	6 098 498	6 447 428
XV. Total current liabilities	6 901 000	8 266 000	1 677 525	1 871 491
XVI. Total non-current liabilities	6 223 000	7 572 000	1 512 713	1 714 363
XVII. Total equity	11 964 000	12 639 000	2 908 260	2 861 574
XVIII. Share capital	4 007 000	4 007 000	974 039	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 interim financial report

The ownership structure of the Company's share capital, based on the best information available to the Company as at 24 October 2012, i.e. the date of submission of the quarterly report for the third 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%
Other shareholders	647,357,480	647,357,480	48.47%	1,942,072,440	48.47%
Telekomunikacja Polska S.A. (treasury shares) (1)	23,291,542	23,291,542	1.74%	69,874,626	1.74%
TOTAL	**1,335,649,021**	**1,335,649,021**	**100.00%**	**4,006,947,063**	**100.00%**

(1) 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 25 July 2012, i.e. the date of submission of the interim report for the 6 months ended 30 June 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	579,810,833	579,810,833	43.41%	1,739,432,499	43.41%
Telekomunikacja Polska S.A. (treasury shares) (2)	23,291,542	23,291,542	1.74%	69,874,626	1.74%
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. On 15 October 2012, TP S.A. received a notification in which Capital Group Companies, Inc. informed that its share in the Company's share capital (including shares held by Capital Group International, Inc.) fell below 5%.
(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 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 2012 and the interim report for the 6 months ended 30 June 2012 is as follows:

	24 October 2012	25 July 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 24 October 2012 and 25 July 2012 held no bond with a pre-emption right.

Maciej Witucki, President of the Management Board of TP S.A., held 4,000 TP S.A. shares as at 24 October 2012 and 25 July 2012. There was no TP S.A. share held by other members of the Management Board or the Supervisory Board of TP S.A.

III. Information on guarantees or collaterals of loans or borrowings granted by the Company or its subsidiaries to other entities or their subsidiaries, where the total amount of the guarantee or a collateral accounts for 10% or more of the Company's equity

In the 9 months ended 30 September 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 5 of Management Board's Report on the Activity of Telekomunikacja Polska Group in the first half of 2012 as well as in Current Reports 126/2012 and 127/2012 published on 16 October 2012. 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 30 September 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 9 months ended 30 September 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 9 month periods ended 30 September 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:

	30 September 2012	**31 December 2011**	**30 September 2011**
Balance sheet	4.1138 PLN	4.4168 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.1948 PLN	Not applicable	4.0413

TELEKOMUNIKACJA POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2012

Contents

CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings per share)

	3 months	***9 months***	***3 months***	***9 months***
	ended 30 September 2012		***ended 30 September 2011***	
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	**3,473**	**10,663**	**3,679**	**11,198**
External purchases	(1,568)	(5,156)	(1,676)	(5,146)
Labour expenses	(481)	(1,550)	(477)	(1,564)
Other operating expense	(177)	(515)	(266)	(1,113)
Other operating income	73	377	136	307
Gains on disposal of assets	3	23	6	21
Gain on disposal of TP Emitel	-	-	-	1,188
Depreciation and amortisation	(801)	(2,451)	(900)	(2,867)
Impairment of non-current assets	(1)	(11)	(2)	(6)
Share of profit of investments accounted for using the equity method	2	4	-	-
Operating income	**523**	**1,384**	**500**	**2,018**
Interest income	5	22	14	79
Interest expense and other financial charges	(141)	(360)	(82)	(340)
Foreign exchange gains/(losses)	8	22	(8)	4
Discounting expense	(18)	(65)	(35)	(74)
Finance costs, net	**(146)**	**(381)**	**(111)**	**(331)**
Income tax	(70)	(199)	(13)	(127)
Consolidated net income	**307**	**804**	**376**	**1,560**
Net income attributable to owners of TP S.A.	307	804	376	1,559
Net income attributable to non-controlling interests	-	-	-	1
Earnings per share (in PLN) (basic and diluted)	**0.23**	**0.61**	**0.28**	**1.17**
Weighted average number of shares (in millions) (basic and diluted)	1,312	1,317	1,336	1,336

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months	***9 months***	***3 months***	***9 months***
	ended 30 September 2012		***ended 30 September 2011***	
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Consolidated net income	**307**	**804**	**376**	**1,560**
Gains/(losses) on cash flow hedges	(28)	(14)	36	23
Actuarial gains/(losses) on post-employment benefits	(11)	(11)	2	6
Income tax relating to components of other comprehensive income	7	4	(8)	(6)
Translation adjustment	-	-	1	1
Other comprehensive income/(loss), net of tax	**(32)**	**(21)**	**31**	**24**
Total comprehensive income	**275**	**783**	**407**	**1,584**
Total comprehensive income attributable to owners of TP S.A.	275	783	407	1,583
Total comprehensive income attributable to non-controlling interests	-	-	-	1

CONSOLIDATED BALANCE SHEET

(in PLN millions)

	At 30 September 2012 *(unaudited)*	***At 31 December 2011*** *(audited)*
ASSETS		
Goodwill	4,016	4,016
Other intangible assets	2,863	2,955
Property, plant and equipment	13,816	14,912
Investments accounted for using the equity method	20	16
Financial assets available for sale	4	4
Loans and receivables excluding trade receivables	14	12
Financial assets at fair value through profit or loss	69	132
Hedging derivatives	38	145
Deferred tax assets	694	899
Total non-current assets	**21,534**	**23,091**
Inventories	217	214
Trade receivables	1,387	1,506
Loans and receivables excluding trade receivables	14	8
Financial assets at fair value through profit or loss	6	234
Hedging derivatives	1	-
Other assets	205	228
Prepaid expenses	90	78
Cash and cash equivalents	473	2,860
Total current assets	**2,393**	**5,128**
TOTAL ASSETS	**23,927**	**28,219**
EQUITY AND LIABILITIES		
Share capital	4,007	4,007
Share premium	832	832
Treasury shares	(400)	(200)
Other reserves	3	24
Translation adjustment	(5)	(5)
Retained earnings	8,508	9,673
Equity attributable to owners of TP S.A.	**12,945**	**14,331**
Non-controlling interests	2	3
Total equity	**12,947**	**14,334**
Financial liabilities at amortised cost excluding trade payables	3,030	4,170
Financial liabilities at fair value through profit or loss	101	53
Hedging derivatives	97	65
Trade payables	744	825
Employee benefits	326	285
Provisions	260	304
Other liabilities	15	15
Deferred income	40	48
Total non-current liabilities	**4,613**	**5,765**
Financial liabilities at amortised cost excluding trade payables	2,748	767
Financial liabilities at fair value through profit or loss	68	-
Hedging derivatives	15	-
Trade payables	1,741	3,199
Employee benefits	200	240
Provisions	918	3,130
Income tax payable	16	37
Other liabilities	163	202
Deferred income	498	545
Total current liabilities	**6,367**	**8,120**
TOTAL EQUITY AND LIABILITIES	**23,927**	**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 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)*	**4,007**	**832**	**-**	**25**	**(60)**	**6**	**79**	**(5)**	**9,316**	**14,200**	**14**	**14,214**
Balance at 1 January 2012 *(audited)*	**4,007**	**832**	**(200)**	**10**	**(77)**	**12**	**79**	**(5)**	**9,673**	**14,331**	**3**	**14,334**
Total comprehensive income for the 9 months ended 30 September 2012	-	-	-	(14)	(11)	4	-	-	804	783	-	783
Purchase of treasury shares	-	-	(200)	-	-	-	-	-	-	(200)	-	(200)
Dividends	-	-	-	-	-	-	-	-	(1,969)	(1,969)	(1)	(1,970)
Balance at 30 September 2012 *(unaudited)*	**4,007**	**832**	**(400)**	**(4)**	**(88)**	**16**	**79**	**(5)**	**8,508**	**12,945**	**2**	**12,947**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)

	3 months	***9 months***	***3 months***	***9 months***
	ended 30 September 2012		***ended 30 September 2011***	
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
OPERATING ACTIVITIES				
Consolidated net income	307	804	376	1,560
Adjustments to reconcile net income to cash from operating activities				
Depreciation and amortisation	801	2,451	900	2,867
Impairment of non-current assets	1	11	2	6
Gains on disposal of assets	(3)	(23)	(6)	(1,209)
Change in provisions	(7)	(2,256)	(73)	398
Share of profit of investments accounted for using the equity method	(2)	(4)	-	-
Income tax	70	199	13	127
Finance costs, net	146	381	97	328
Operational foreign exchange and derivatives losses, net	12	6	62	65
Change in working capital (trade)				
Decrease/(increase) in inventories	(10)	(4)	35	87
Decrease in trade receivables	92	104	105	72
Decrease in trade payables	(351)	(602)	(17)	(48)
Change in working capital (non-trade)				
Decrease/(increase) in prepaid expenses and other receivables	192	36	(16)	33
Decrease in deferred income and other payables	(42)	(116)	(51)	(38)
Interest received	6	23	15	83
Interest and interest rate effect on derivatives paid, net	(103)	(419)	(136)	(429)
Exchange rate effect on derivatives, net	-	184	28	21
Income tax paid	(13)	(11)	(123)	(206)
Net cash provided by operating activities	**1,096**	**764**	**1,211**	**3,717**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(427)	(1,310)	(432)	(1,357)
Decrease in amounts due to fixed assets suppliers	(348)	(893)	(205)	(881)
Decrease in receivables related to leased fixed assets	2	5	2	5
Exchange rate effect on derivatives economically hedging capital expenditures, net	1	18	3	4
Proceeds from sale of property, plant and equipment and intangible assets	6	42	19	37
Proceeds from sale of subsidiaries, net of cash and transaction costs	-	3	-	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 loans and other financial assets	1	(3)	1	1
Exchange rate effect on other derivatives, net	(1)	(19)	(1)	(1)
Net cash used in investing activities	**(766)**	**(2,157)**	**(625)**	**(567)**
FINANCING ACTIVITIES				
Redemption of bonds	-	-	(1,189)	(1,189)
Repayment of long-term debt	(504)	(626)	(2)	(113)
Increase/(decrease) in short-term debt	1,742	1,795	(2)	(5)
Purchase of treasury shares	-	(200)	-	-
Exchange rate effect on hedging instruments, net	-	(4)	(139)	(36)
Dividends paid	(1,969)	(1,970)	(2,004)	(2,004)
Net cash used in financing activities	**(731)**	**(1,005)**	**(3,336)**	**(3,347)**
Net change in cash and cash equivalents	(401)	(2,398)	(2,750)	(197)
Effect of changes in exchange rates and other impacts on cash and cash equivalents	5	11	3	(4)
Cash and cash equivalents at the beginning of the period	869	2,860	4,993	2,447
Cash and cash equivalents at the end of the period	**473**	**473**	**2,246**	**2,246**

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*
	9 months ended 30 September 2012			
Revenue:	5,846	5,663	(846)	10,663
External	5,168	5,495	-	10,663
Inter-segment	678	168	(846)	-
EBITDA	2,174	1,668	-	3,842
EBIT	453	931	-	1,384
Capital expenditures	923	388	-	1,311
	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]	*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

[1] See Note 5.

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 23 October 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 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 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 IFRS Consolidated Financial Statements for the year ended 31 December 2011 (see Notes 2 and 3 to 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 9 months ended 30 September 2012 is presented in the Note 1.2 to the 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 9 months ended 30 September 2011, consolidated revenue and consolidated net income would be lower by PLN 154 million and PLN 65 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 30 September 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 9 months ended 30 September 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 9 months ended 30 September 2012, in the course of the programme of buy-back of own shares, TP S.A. purchased a total of 11,978,133 own shares accounting for 0.9% of the share capital, for a total consideration of PLN 200 million. Details of the programme are described in Note 29.3 to the IFRS Consolidated Financial Statements for the year ended 31 December 2011.

As at 30 September 2012, TP S.A. held 23,291,542 own shares (out of 1,335,649,021 shares in issue) accounting for 1.74% of the share capital, purchased for a total consideration of PLN 400 million. The Management Board will propose to the Supervisory Board to conclude the programme at this level rather than at the initial programme level of PLN 800 million.

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. Total dividend, paid on 5 July 2012, amounted to PLN 1,969 million. Treasury shares (see Note 7) held on 21 June 2012, which was the dividend day, were not entitled to the dividend.

9. Changes in major litigation and claims, contingent liabilities and contingent assets since the last annual balance sheet date

The information hereunder refers to the matters presented in Note 31.c-e to the IFRS Consolidated Financial Statements for the year ended 31 December 2011 or describes major matters that occurred after 31 December 2011.

a. Proceedings by UKE and UOKiK

Proceedings by UKE related to broadband access
On 3 February 2012, the Court of Appeal confirmed the verdict of SOKiK of 18 April 2011 that annulled the PLN 339 million fine. On 8 May 2012, UKE lodged a cassation appeal to the Supreme Court.
On 4 July 2012, the Court of Appeal confirmed the verdict of SOKiK of 12 July 2011 that annulled the PLN 100 million fine. UKE can lodge a cassation appeal to the Supreme Court.

Proceedings by UOKiK related to IP traffic
On 20 June 2012, the Court of Appeal reversed, for procedural reasons, the verdict of SOKiK of 11 April 2011 reducing the fine of PLN 75 million to the amount of PLN 38 million and remanded the case back to consideration by SOKiK.

Proceedings by UOKiK related to mobile television
There were no developments after PTK-Centertel appealed on 7 December 2011 against the decision of UOKiK imposing the fine of PLN 35 million.

b. Proceedings by the European Commission related to broadband access

On 13 January 2012, the European Commission answered to the appeal brought on 2 September 2011 by TP S.A. to the General Court of the European Union against the decision of the European Commission imposing the EUR 127.6 million fine. TP S.A. has received a notification from the General Court that Netia S.A. was permitted to take part in these proceedings as an intervener.

On 16 April 2012, TP S.A. received a notification of a hearing on Netia S.A.'s motion from the Warsaw Commercial Court. In its motion Netia S.A. called 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 did not constitute any reasonable grounds on which to assess whether or not Netia S.A. suffered any damage. At the court session held on 10 May 2012, the parties did not reach an agreement.

c. Dispute with DPTG

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 the dispute between the Company and DPTG. Pursuant to the agreement, TP S.A. paid DPTG a total of EUR 550 million (PLN 2,449 million) and both parties 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 30 September 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 the 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 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 a 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 30 September 2012*	*9 months ended 30 September 2012*	*3 months ended 30 September 2011*	*9 months ended 30 September 2011*
Sales of goods, services and other income from:	**61**	**289**	**63**	**159**
TP Group's entities accounted for using the equity method	4	11	13	13
France Telecom S.A. (parent)	36	99	35	106
France Telecom (group excluding parent)	21	179	15	40
Purchases of goods (including inventories, tangible and intangible assets) and services from:	**113**	**334**	**91**	**261**
TP Group's entities accounted for using the equity method	31	92	9	9
France Telecom S.A. (parent)	23	88	29	85
France Telecom (group excluding parent)	59	154	53	167
- including Orange Brand Services Limited (brand licence agreement)	*41*	*98*	*33*	*92*
Financial expense:	**-**	**1**	**-**	**-**
France Telecom S.A. (parent)	-	1	-	-
Dividend paid:	**997**	**997**	**997**	**997**
France Telecom S.A. (parent)	997	997	997	997

(in PLN millions)	*At 30 September 2012*	*At 31 December 2011*
Receivables from:	**93**	**143**
TP Group's entities accounted for using the equity method	4	10
France Telecom S.A. (parent)	45	108
France Telecom (group excluding parent)	44	25
Financial receivables from:	**6**	**-**
TP Group's entities accounted for using the equity method	6	-
Payables to:	**174**	**236**
TP Group's entities accounted for using the equity method	23	9
France Telecom S.A. (parent)	63	147
France Telecom (group excluding parent)	88	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 9 months ended 30 September 2012 and 2011 amounted to PLN 9.8 million and PLN 10.8 million, including PLN 1.4 million and PLN 1.3 million accrued in previous periods, respectively. During the 9 months ended 30 September 2012 and 2011, the amount of accrued cost of compensation for the Company's Management Board amounted to PLN 0.9 million and PLN 0.9 million.

11. Subsequent events

There was no significant event after the balance sheet date.

TELEKOMUNIKACJA POLSKA S.A.

CONDENSED IFRS QUARTERLY SEPARATE FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2012

Contents

INCOME STATEMENT

(in PLN millions, except for earnings per share)

	3 months ended 30 September 2012 (unaudited)	9 months ended 30 September 2012 (unaudited)	3 months ended 30 September 2011 (unaudited)	9 months ended 30 September 2011 (unaudited)
Revenue	**1,827**	**5,603**	**1,943**	**5,877**
External purchases	(819)	(2,716)	(878)	(2,781)
Labour expenses	(330)	(1,054)	(322)	(1,021)
Other operating expense	(104)	(273)	(161)	(843)
Other operating income	96	408	116	371
Gains on disposal of assets	3	23	3	18
Gain on disposal of TP Emitel	-	-	-	1,252
Depreciation and amortisation	(558)	(1,689)	(573)	(1,756)
Impairment of non-current assets	(1)	(11)	(2)	(6)
Operating income	**114**	**291**	**126**	**1,111**
Dividend income	71	1,661	-	962
Interest income	73	226	82	295
Interest expense and other financial charges	(223)	(616)	(184)	(611)
Foreign exchange gains/(losses)	(50)	(56)	90	104
Discounting expense	(10)	(32)	(6)	(17)
Finance income/(costs), net	**(139)**	**1,183**	**(18)**	**733**
Income tax	21	34	24	21
Net income/(loss)	**(4)**	**1,508**	**132**	**1,865**
Earnings per share (in PLN) (basic and diluted)	**-**	**1.15**	**0.10**	**1.40**
Weighted average number of shares (in millions) (basic and diluted)	1,312	1,317	1,336	1,336

STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months ended 30 September 2012 (unaudited)	9 months ended 30 September 2012 (unaudited)	3 months ended 30 September 2011 (unaudited)	9 months ended 30 September 2011 (unaudited)
Net income/(loss)	**(4)**	**1,508**	**132**	**1,865**
Gains/(losses) on cash flow hedges	(8)	(7)	17	2
Actuarial gains/(losses) on post-employment benefits	(10)	(10)	1	2
Income tax relating to components of other comprehensive income	3	3	(4)	(1)
Other comprehensive income/(loss), net of tax	**(15)**	**(14)**	**14**	**3**
Total comprehensive income/(loss)	**(19)**	**1,494**	**146**	**1,868**

BALANCE SHEET

(in PLN millions)

	At 30 September 2012 *(unaudited)*	***At 31 December 2011*** *(audited)*
ASSETS		
Intangible assets	1,385	1,396
Property, plant and equipment	11,292	12,100
Investments in subsidiaries	7,215	7,228
Financial assets available for sale	4	4
Loans and receivables excluding trade receivables	2,592	2,845
Financial assets at fair value through profit or loss	75	148
Hedging derivatives	32	129
Deferred tax assets	219	481
Total non-current assets	**22,814**	**24,331**
Inventories	51	54
Trade receivables	780	852
Loans and receivables excluding trade receivables	361	328
Financial assets at fair value through profit or loss	1	225
Other assets	779	88
Prepaid expenses	33	15
Cash and cash equivalents	269	2,584
Total current assets	**2,274**	**4,146**
TOTAL ASSETS	**25,088**	**28,477**
EQUITY AND LIABILITIES		
Share capital	4,007	4,007
Share premium	832	832
Treasury shares	(400)	(200)
Other reserves	(8)	6
Retained earnings	7,533	7,994
Total equity	**11,964**	**12,639**
Financial liabilities at amortised cost excluding trade payables	5,550	6,951
Financial liabilities at fair value through profit or loss	101	53
Hedging derivatives	97	65
Employee benefits	273	241
Provisions	150	201
Other liabilities	15	15
Deferred income	37	46
Total non-current liabilities	**6,223**	**7,572**
Financial liabilities at amortised cost excluding trade payables	4,536	2,566
Financial liabilities at fair value through profit or loss	83	-
Trade payables	1,048	2,184
Employee benefits	135	158
Provisions	849	3,039
Income tax payable	13	13
Other liabilities	139	204
Deferred income	98	102
Total current liabilities	**6,901**	**8,266**
TOTAL EQUITY AND LIABILITIES	**25,088**	**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 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)*	**4,007**	**832**	**-**	**4**	**(65)**	**11**	**68**	**7,908**	**12,765**
Balance at 1 January 2012 *(audited)*	**4,007**	**832**	**(200)**	**11**	**(87)**	**14**	**68**	**7,994**	**12,639**
Total comprehensive income for the 9 months ended 30 September 2012	-	-	-	(7)	(10)	3	-	1,508	1,494
Purchase of treasury shares	-	-	(200)	-	-	-	-	-	(200)
Dividends	-	-	-	-	-	-	-	(1,969)	(1,969)
Balance at 30 September 2012 *(unaudited)*	**4,007**	**832**	**(400)**	**4**	**(97)**	**17**	**68**	**7,533**	**11,964**

STATEMENT OF CASH FLOWS

(in PLN millions)

	3 months ended 30 September 2012 (unaudited)	9 months ended 30 September 2012 (unaudited)	3 months ended 30 September 2011 (unaudited)	9 months ended 30 September 2011 (unaudited)
OPERATING ACTIVITIES				
Net income/(loss)	(4)	1,508	132	1,865
Adjustments to reconcile net income to cash from operating activities				
Depreciation and amortisation	558	1,689	573	1,756
Impairment of non-current assets	1	11	2	6
Gains on disposal of assets	(3)	(23)	(3)	(1,270)
Change in provisions	(27)	(2,250)	(18)	408
Income tax	(21)	(34)	(24)	(21)
Finance costs/(income), net	139	(1,183)	(1)	(748)
Operational foreign exchange and derivatives (gains)/losses, net	1	(9)	52	48
Change in working capital (trade)				
Decrease/(increase) in inventories	7	3	9	(6)
Decrease/(increase) in trade receivables	52	72	59	(48)
Decrease in trade payables	(140)	(419)	(87)	(49)
Change in working capital (non-trade)				
Decrease/(increase) in prepaid expenses and other receivables	76	(13)	(9)	25
Increase/(decrease) in deferred income and other payables	(39)	(60)	(13)	1
Dividends received	-	1,228	-	531
Interest received	5	21	9	75
Interest and interest rates effect on derivatives paid, net	(84)	(453)	(133)	(444)
Exchange rate effect on derivatives, net	-	184	26	19
Income tax (paid)/received	-	34	-	(30)
Net cash provided by operating activities	**521**	**306**	**574**	**2,118**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(285)	(907)	(327)	(925)
Decrease in amounts due to fixed assets suppliers	(293)	(724)	(106)	(540)
Decrease in receivables related to leased fixed assets	2	6	3	6
Exchange rate effect on derivatives economically hedging capital expenditures, net	-	(1)	2	3
Proceeds from sale of property, plant and equipment and intangible assets	6	41	11	29
Cash received from/(paid for) investments in subsidiaries	-	9	-	(8)
Increase in loans and other financial assets	(2)	(3)	-	-
Exchange rate effect on other derivatives, net	(2)	12	12	16
Net cash used in investing activities	**(574)**	**(1,567)**	**(405)**	**(1,419)**
FINANCING ACTIVITIES				
Redemption of bonds	-	-	(1,189)	(1,189)
Repayment of long-term debt	(509)	(640)	(2)	(112)
Increase in short-term debt	2,173	1,764	128	1,755
Purchase of treasury shares	-	(200)	-	-
Exchange rate effect on hedging instruments, net	-	(4)	(139)	(36)
Dividends paid	(1,969)	(1,969)	(2,003)	(2,003)
Net cash used in financing activities	**(305)**	**(1,049)**	**(3,205)**	**(1,585)**
Net change in cash and cash equivalents	(358)	(2,310)	(3,036)	(886)
Effect of changes in exchange rates and other impacts on cash and cash equivalents	(1)	(5)	3	(4)
Cash and cash equivalents at the beginning of the period	628	2,584	4,411	2,268
Cash and cash equivalents at the end of the period	**269**	**269**	**1,378**	**1,378**

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 Financial Statements are prepared in millions of Polish zloty ("PLN") and were authorised for issuance by the Management Board on 23 October 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,
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- Amendments to IAS 19 "Employee Benefits" applicable for financial years beginning on or after 1 January 2013. These amendments have 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 IFRS Separate Financial Statements for the year ended 31 December 2011 (see Notes 2 and 3 to 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 9 months ended 30 September 2012 is presented in the Note 13.1 to the 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 30 September 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 9 months ended 30 September 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 9 months ended 30 September 2012, in the course of the programme of buy-back of own shares, TP S.A. purchased a total of 11,978,133 own shares accounting for 0.9% of the share capital, for a total consideration of PLN 200 million. Details of the programme are described in Note 26.3 to the IFRS Separate Financial Statements for the year ended 31 December 2011.

As at 30 September 2012, TP S.A. held 23,291,542 own shares (out of 1,335,649,021 shares in issue) accounting for 1.74% of the share capital, purchased for a total consideration of PLN 400 million. The Management Board will propose to the Supervisory Board to conclude the programme at this level rather than at the initial programme level of PLN 800 million.

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

In the 9 months ended 30 September 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 9 months ended 30 September 2012, the net cash flows on the bonds amounted to PLN (77) million. As a result of the issues and redemptions, the aggregate par value of the outstanding bonds issued under the programme amounted to PLN 1,439 million as at 30 September 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. Total dividend, paid on 5 July 2012, amounted to PLN 1,969 million. Treasury shares (see Note 7) held on 21 June 2012, which was the dividend day, were not entitled to the dividend.

9. Changes in major litigation and claims, contingent liabilities and contingent assets since the last annual balance sheet date

The information hereunder refers to the matters presented in Note 28.c-e to the IFRS Separate Financial Statements for the year ended 31 December 2011 or describes major matters that occurred after 31 December 2011.

a. Proceedings by UKE and UOKiK

Proceedings by UKE related to broadband access
On 3 February 2012, the Court of Appeal confirmed the verdict of SOKiK of 18 April 2011 that annulled the PLN 339 million fine. On 8 May 2012, UKE lodged a cassation appeal to the Supreme Court.
On 4 July 2012, the Court of Appeal confirmed the verdict of SOKiK of 12 July 2011 that annulled the PLN 100 million fine. UKE can lodge a cassation appeal to the Supreme Court.

Proceedings by UOKiK related to IP traffic
On 20 June 2012, the Court of Appeal reversed, for procedural reasons, the verdict of SOKiK of 11 April 2011 reducing the fine of PLN 75 million to the amount of PLN 38 million and remanded the case back to consideration by SOKiK.

b. Proceedings by the European Commission related to broadband access

On 13 January 2012, the European Commission answered to the appeal brought on 2 September 2011 by TP S.A. to the General Court of the European Union against the decision of the European Commission imposing the EUR 127.6 million fine. TP S.A. has received a notification from the General Court that Netia S.A. was permitted to take part in these proceedings as an intervener.

On 16 April 2012, TP S.A. received a notification of a hearing on Netia S.A.'s motion from the Warsaw Commercial Court. In its motion Netia S.A. called 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 did not constitute any reasonable grounds on which to assess whether or not Netia S.A. suffered any damage. At the court session held on 10 May 2012, the parties did not reach an agreement.

c. Dispute with DPTG

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 the dispute between the Company and DPTG. Pursuant to the agreement, TP S.A. paid DPTG a total of EUR 550 million (PLN 2,449 million) and both parties 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 30 September 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 2,942 million and PLN 3,205 million, respectively.

10. Related party transactions

As at 30 September 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, 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 the 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, consulting services and brand fees.

TP S.A.'s financial income earned from its subsidiaries comprises dividends, interest on bonds issued by subsidiaries and interest on loans granted to subsidiaries. Financial costs incurred by TP S.A. in transactions with related parties mainly comprise interest on bonds issued to the subsidiaries, interest on loans from the subsidiaries and interest on a 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 30 September 2012*	*9 months ended 30 September 2012*	*3 months ended 30 September 2011*	*9 months ended 30 September 2011*
Sales of goods, services and other income from:	**341**	**1,084**	**308**	**929**
TP Group	289	820	263	799
- TP Group (subsidiaries)	287	813	262	798
- TP Group's joint ventures (NetWorkS! Sp. z o.o.)	2	7	1	1
France Telecom Group	52	264	45	130
- France Telecom S.A. (parent)	33	92	33	97
- France Telecom (group excluding parent)	19	172	12	33
Purchases of goods (including inventories, tangible and intangible assets) and services from:	**302**	**997**	**333**	**1,134**
TP Group (subsidiaries)	259	875	298	1,006
France Telecom Group	43	122	35	128
- France Telecom S.A. (parent)	15	66	21	64
- France Telecom (group excluding parent)	28	56	14	64
- including Orange Brand Services Limited (brand licence agreement)	*14*	*14*	-	-
Financial income:	**140**	**1,869**	**75**	**1,189**
TP Group (subsidiaries)	140	1,869	75	1,189
Financial expense:	**122**	**385**	**146**	**422**
TP Group (subsidiaries)	122	384	146	422
France Telecom S.A. (parent)	-	1	-	-
Dividend paid:	**997**	**997**	**997**	**997**
France Telecom S.A. (parent)	997	997	997	997

(in PLN millions)	*At 30 September 2012*	*At 31 December 2011*
Receivables from:	**279**	**318**
TP Group	215	210
- TP Group (subsidiaries)	213	206
- TP Group's joint ventures (NetWorkS! Sp. z o.o.)	2	4
France Telecom Group	64	108
- France Telecom S.A. (parent)	40	102
- France Telecom (group excluding parent)	24	6
Financial receivables from:	**3,295**	**3,155**
TP Group	3,295	3,155
- TP Group (subsidiaries)	3,289	3,155
- TP Group's joint ventures (NetWorkS! Sp. z o.o.)	6	-
Payables to:	**265**	**383**
TP Group (subsidiaries)	191	262
France Telecom Group	74	121
- France Telecom S.A. (parent)	46	98
- France Telecom (group excluding parent)	28	23
Financial payables to:	**7,266**	**7,801**
TP Group (subsidiaries)	7,266	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 9 months ended 30 September 2012 and 2011 amounted to PLN 9.8 million and PLN 10.8 million, including PLN 1.4 million and PLN 1.3 million accrued in previous periods, respectively. During the 9 months ended 30 September 2012 and 2011, the amount of accrued cost of compensation for the Company's Management Board amounted to PLN 0.9 million and PLN 0.9 million.

11. Subsequent events

There was no significant event after the balance sheet date.