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## POLISH FINANCIAL SUPERVISION AUTHORITY

## Quarterly consolidated report for the first quarter of 2010

(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 2010, i.e. from 1 January 2010 to 31 March 2010

including condensed consolidated financial statements prepared under: **International Financial Reporting Standards**  
in currency: **PLN**and condensed separate financial statements prepared under: **International Financial Reporting Standards**  
in currency: **PLN**date of issuance: **22 April 2010**

<b>TELEKOMUNIKACJA POLSKA SA</b>	
(full name of issuer)	
<b>TPSA</b>	<b>Telecommunication (tel)</b>
(abbreviated name of the issuer)	(classification according to WSE)
<b>00-105</b>	<b>Warsaw</b>
(post code)	(location)
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(NIP)	(REGON)

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	1 quarter cumulative period from 01/01/2010 to 31/03/2010	1 quarter cumulative period from 01/01/2009 to 31/03/2009	1 quarter cumulative period from 01/01/2010 to 31/03/2010	1 quarter cumulative period from 01/01/2009 to 31/03/2009
<b>condensed consolidated financial statements data</b>				
I. Revenue	3 873 000	4 312 000	976 329	937 514
II. Operating income	474 000	610 000	119 489	132 626
III. Profit before income tax	359 000	411 000	90 499	89 359
IV. Consolidated net income	285 000	328 000	71 845	71 314
V. Net income attributable to owners of TP S.A.	285 000	328 000	71 845	71 314
VI. Earnings per share (in PLN/EUR) (basic and diluted)	0.21	0.25	0.05	0.05
VII. Weighted average number of shares (in millions) (basic and diluted)	1 336	1 336	1 336	1 336
VIII. Total comprehensive income	263 000	356 000	66 299	77 401
IX. Total comprehensive income attributable to owners of TP S.A.	263 000	356 000	66 299	77 401
X. Net cash provided by operating activities	1 084 000	1 410 000	273 261	306 562
XI. Net cash used in investing activities	(621 000)	(840 000)	(156 545)	(182 633)
XII. Net cash used in financing activities	(27 000)	(1 304 000)	(6 806)	(283 515)
XIII. Total net change in cash and cash equivalents	436 000	(732 000)	109 910	(159 151)
	balance as at 31/03/2010	balance as at 31/12/2009	balance as at 31/03/2010	balance as at 31/12/2009
XIV. Total current assets	4 730 000	4 189 000	1 224 691	1 019 668
XV. Total non-current assets	24 414 000	25 167 000	6 321 268	6 126 041
XVI. Total assets	29 144 000	29 356 000	7 545 958	7 145 709
XVII. Total current liabilities	4 804 000	5 222 000	1 243 851	1 271 116
XVIII. Total non-current liabilities	7 481 000	7 541 000	1 936 979	1 835 597
XIX. Total equity	16 859 000	16 593 000	4 365 129	4 038 995
XX. Equity attributable to owners of TP S.A.	16 845 000	16 579 000	4 361 504	4 035 587
XXI. Share capital	4 007 000	4 007 000	1 037 492	975 366
<b>condensed separate financial statements data</b>				
	1 quarter cumulative period from 01/01/2010 to 31/03/2010	1 quarter cumulative period from 01/01/2009 to 31/03/2009	1 quarter cumulative period from 01/01/2010 to 31/03/2010	1 quarter cumulative period from 01/01/2009 to 31/03/2009
I. Revenue	2 176 000	2 445 000	548 539	531 591
II. Operating income	243 000	386 000	61 257	83 924
III. Profit before income tax	144 000	349 000	36 300	75 879
IV. Net income	125 000	292 000	31 511	63 487
V. Earnings per share (in PLN/EUR) (basic and diluted)	0.09	0.22	0.02	0.05
VI. Weighted average number of shares (in millions) (basic and diluted)	1 336	1 336	1 336	1 336
VII. Total comprehensive income	109 000	310 000	27 477	67 400
VIII. Net cash provided by operating activities	663 000	543 000	167 133	118 059
IX. Net cash provided by/(used in) investing activities	(387 000)	23 000	(97 557)	5 001
X. Net cash provided by/(used in) financing activities	217 000	(1 288 000)	54 703	(280 037)
XI. Total net change in cash and cash equivalents	493 000	(724 000)	124 278	(157 412)
	balance as at 31/03/2010	balance as at 31/12/2009	balance as at 31/03/2010	balance as at 31/12/2009
XII. Total current assets	4 001 000	3 297 000	1 035 938	802 541
XIII. Total non-current assets	25 323 000	25 897 000	6 556 626	6 303 734
XIV. Total assets	29 324 000	29 194 000	7 592 564	7 106 275
XV. Total current liabilities	5 324 000	5 208 000	1 378 489	1 267 708
XVI. Total non-current liabilities	9 952 000	10 049 000	2 576 770	2 446 083
XVII. Total equity	14 048 000	13 937 000	3 637 305	3 392 483
XVIII. Share capital	4 007 000	4 007 000	1 037 492	975 366

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

**I. Shareholders entitled to exercise at least 5% of total voting rights at the General Meeting of Shareholders, 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 22 April 2010, i.e. the date of submission of the quarterly report for the first quarter of 2010:

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders	Percentage of the total number of votes at the General Meeting of Shareholders	Nominal value of shares held (in PLN)	Share in the capital
France Telecom S.A.	664,999,999	664,999,999	49.79%	1,994,999,997	49.79%
State Treasury <sup>(1)</sup>	55,491,532	55,491,532	4.15%	166,474,596	4.15%
Other shareholders	615,157,490	615,157,490	46.06%	1,845,472,470	46.06%
<b>TOTAL</b>	<b>1,335,649,021</b>	<b>1,335,649,021</b>	<b>100.00%</b>	<b>4,006,947,063</b>	<b>100.00%</b>

<sup>(1)</sup> Amounts presented are based on the number of shares registered by the State Treasury at the General Meeting of Shareholders of TP S.A. which was held on 23 April 2009.

The ownership structure of the Company's share capital, based on the best information available to the Company as at 23 February 2010, i.e. the date of submission of the annual report for the 12 months ended 31 December 2009:

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders	Percentage of the total number of votes at the General Meeting of Shareholders	Nominal value of shares held (in PLN)	Share in the capital
France Telecom S.A.	664,999,999	664,999,999	49.79%	1,994,999,997	49.79%
State Treasury <sup>(1)</sup>	55,491,532	55,491,532	4.15%	166,474,596	4.15%
Other shareholders	615,157,490	615,157,490	46.06%	1,845,472,470	46.06%
<b>TOTAL</b>	<b>1,335,649,021</b>	<b>1,335,649,021</b>	<b>100.00%</b>	<b>4,006,947,063</b>	<b>100.00%</b>

<sup>(1)</sup> Amounts presented are based on the number of shares registered by the State Treasury at the General Meeting of Shareholders of TP S.A. which was held on 23 April 2009.

**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, 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 2010 and the annual report for the 12 months ended 31 December 2009 is as follows:

	22 April 2010	23 February 2010
Maciej Witucki	305,557	305,557
Vincent Lobry	-	-
Piotr Muszyński	190,896	190,896
Roland Dubois	-	-

The members of the Supervisory Board of TP S.A. do not participate in the Company's incentive program and as at 22 April 2010 and 23 February 2010 held no bond with a pre-emption right.

As at 22 April 2010, i.e. the date of submission of the quarterly report for the first quarter of 2010, there was no TP S.A. share held by members of the Management Board and the Supervisory Board of TP S.A.

As at 23 February 2010, i.e. the date of submission of the annual report for the 12 months ended 31 December 2009, there was no TP S.A. share held by 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 2010, the parent 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 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, will affect its results over at least the next quarter

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

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

The Group may be also influenced by changes in the regulatory environment in Poland, in particular by continuously evolving regulated wholesale offers introduced in the last two years as well as a decrease in mobile termination rates (MTRs) which in 2009 was the most significant ever. These regulatory impacts as well as rather slow economic growth in Poland may drive TP Group's revenues below the level of last year. In addition, profitability could be under pressure in 2010 as a result of revenue erosion and impact of foreign exchange rates.

A Memorandum of Understanding ("MoU") concerning implementation of transparency and non-discrimination in inter-operator relations has been in force since 22 October 2009. Information on the MoU and its impact on the Group was presented in Note 31.1.c to the Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2009.

## VI. Foreign exchange rates

The balance sheet data as at 31 March 2010 and 31 December 2009 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 2010 and 2009, were 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 2010 and 2009.

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 2010	31 December 2009	31 March 2009
Balance sheet	3.8622 PLN	4.1082 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	3.9669 PLN	Not applicable	4.5994 PLN

**TELEKOMUNIKACJA POLSKA GROUP  
CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2010**

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**Telekomunikacja Polska Group**  
**Condensed IFRS Quarterly Consolidated Financial Statements – 31 March 2010**

*Translation of the financial statements originally issued in Polish*

**CONSOLIDATED INCOME STATEMENT**

*(Amounts in PLN millions, except for share data)*

	<b>3 months ended 31 March 2010 (unaudited)</b>	<b>3 months ended 31 March 2009 (unaudited)</b>
<b>Revenue</b>	<b>3,873</b>	<b>4,312</b>
External purchases	(1,738)	(1,948)
Labour expenses	(592)	(611)
Other operating expense	(168)	(146)
Other operating income	36	37
Gains on disposal of assets	9	13
Depreciation and amortization	(941)	(1,060)
(Impairment)/reversal of impairment of non-current assets	(5)	13
<b>Operating income</b>	<b>474</b>	<b>610</b>
Interest income	20	6
Interest expense and other financial charges	(133)	(100)
Foreign exchange gains/(losses)	15	(40)
Discounting expense	(17)	(65)
<b>Finance costs, net</b>	<b>(115)</b>	<b>(199)</b>
Income tax	(74)	(83)
<b>Consolidated net income</b>	<b>285</b>	<b>328</b>
Net income attributable to owners of TP S.A.	285	328
Net income attributable to non-controlling interests	-	-
<b>Earnings per share (in PLN) (basic and diluted)</b>	<b>0.21</b>	<b>0.25</b>
Weighted average number of shares (in millions) (basic and diluted)	1,336	1,336

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*(Amounts in PLN millions)*

	<b>3 months ended 31 March 2010 (unaudited)</b>	<b>3 months ended 31 March 2009 (unaudited)</b>
<b>Consolidated net income</b>	<b>285</b>	<b>328</b>
Gains/(losses) on cash flow hedges	(26)	28
Income tax relating to components of other comprehensive income	5	(5)
Translation adjustment	(1)	5
<b>Other comprehensive income, net of tax</b>	<b>(22)</b>	<b>28</b>
<b>Total comprehensive income</b>	<b>263</b>	<b>356</b>
Total comprehensive income attributable to owners of TP S.A.	263	356
Total comprehensive income attributable to non-controlling interests	-	-

**Telekomunikacja Polska Group**  
**Condensed IFRS Quarterly Consolidated Financial Statements – 31 March 2010**

*Translation of the financial statements originally issued in Polish*

**CONSOLIDATED BALANCE SHEET**

(Amounts in PLN millions)

	<b>At 31 March 2010</b>	<b>At 31 December 2009</b>
	<i>(unaudited)</i>	<i>(audited)</i>
<b>ASSETS</b>		
Goodwill	4,016	4,016
Other intangible assets	2,703	2,767
Property, plant and equipment	17,048	17,743
Investments in associates	3	3
Financial assets available for sale	4	4
Loans and receivables excluding trade receivables	13	11
Financial assets at fair value through profit or loss	72	62
Hedging derivatives	59	55
Deferred tax assets	496	506
<b>Total non-current assets</b>	<b>24,414</b>	<b>25,167</b>
Inventories	234	229
Trade receivables	1,501	1,475
Loans and receivables excluding trade receivables	10	13
Financial assets at fair value through profit or loss	9	9
Hedging derivatives	-	2
Income tax assets	33	24
Other assets	131	119
Prepaid expenses	158	100
Cash and cash equivalents	2,654	2,218
<b>Total current assets</b>	<b>4,730</b>	<b>4,189</b>
<b>TOTAL ASSETS</b>	<b>29,144</b>	<b>29,356</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	4,007	4,007
Share premium	832	832
Other reserves	73	91
Translation adjustment	(7)	(6)
Retained earnings	11,940	11,655
<b>Equity attributable to owners of TP S.A.</b>	<b>16,845</b>	<b>16,579</b>
Non-controlling interests	14	14
<b>Total equity</b>	<b>16,859</b>	<b>16,593</b>
Financial liabilities at amortised cost excluding trade payables	5,762	6,033
Financial liabilities at fair value through profit or loss	120	61
Hedging derivatives	335	148
Trade payables	754	790
Employee benefits	243	234
Provisions	211	215
Deferred tax liabilities	8	7
Deferred income	48	53
<b>Total non-current liabilities</b>	<b>7,481</b>	<b>7,541</b>
Financial liabilities at amortised cost excluding trade payables	398	375
Financial liabilities at fair value through profit or loss	139	89
Hedging derivatives	5	2
Trade payables	2,044	2,477
Employee benefits	290	302
Provisions	1,154	1,208
Income tax payable	2	2
Other liabilities	197	184
Deferred income	575	583
<b>Total current liabilities</b>	<b>4,804</b>	<b>5,222</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>29,144</b>	<b>29,356</b>

**Telekomunikacja Polska Group**  
**Condensed IFRS Quarterly Consolidated Financial Statements – 31 March 2010**

*Translation of the financial statements originally issued in Polish*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*(Amounts in PLN millions)*

	Number of shares in issue (not in millions)	Share capital	Share premium	Treasury shares	Other reserves			Translation adjustment	Retained earnings	Total	Non-controlling interests	Total equity
					Hedging instruments	Deferred taxes	Share-based payments					
<b>Balance at 1 January 2009 ( audited)</b>	<b>1 335 649 021</b>	<b>4,106</b>	<b>832</b>	<b>(704)</b>	<b>(30)</b>	<b>6</b>	<b>32</b>	<b>(8)</b>	<b>12,983</b>	<b>17,217</b>	<b>13</b>	<b>17,230</b>
Total comprehensive income for the 3 months ended 31 March 2009		-	-	-	28	(5)	-	5	328	356	-	356
Share-based payments		-	-	-	-	-	7	-	-	7	-	7
Cancellation of treasury shares	-	(99)	-	704	-	-	-	-	(605)	-	-	-
<b>Balance at 31 March 2009 ( unaudited)</b>	<b>1 335 649 021</b>	<b>4,007</b>	<b>832</b>	<b>-</b>	<b>(2)</b>	<b>1</b>	<b>39</b>	<b>(3)</b>	<b>12,706</b>	<b>17,580</b>	<b>13</b>	<b>17,593</b>
<b>Balance at 1 January 2010 ( audited)</b>	<b>1 335 649 021</b>	<b>4,007</b>	<b>832</b>	<b>-</b>	<b>20</b>	<b>(4)</b>	<b>75</b>	<b>(6)</b>	<b>11,655</b>	<b>16,579</b>	<b>14</b>	<b>16,593</b>
Total comprehensive income for the 3 months ended 31 March 2010		-	-	-	(26)	5	-	(1)	285	263	-	263
Share-based payments		-	-	-	-	-	3	-	-	3	-	3
<b>Balance at 31 March 2010 ( unaudited)</b>	<b>1 335 649 021</b>	<b>4,007</b>	<b>832</b>	<b>-</b>	<b>(6)</b>	<b>1</b>	<b>78</b>	<b>(7)</b>	<b>11,940</b>	<b>16,845</b>	<b>14</b>	<b>16,859</b>



**Telekomunikacja Polska Group**  
**Condensed IFRS Quarterly Consolidated Financial Statements – 31 March 2010**

*Translation of the financial statements originally issued in Polish*

**CONSOLIDATED STATEMENT OF CASH FLOWS**

*(Amounts in PLN millions)*

	<b>3 months ended 31 March 2010</b>	<b>3 months ended 31 March 2009</b>
	<i>(unaudited)</i>	<i>Note 2, unaudited</i>
<b>OPERATING ACTIVITIES</b>		
Consolidated net income	285	328
<i>Adjustments to reconcile net income to funds generated from operations</i>		
Depreciation and amortization	941	1,060
Impairment/(reversal of impairment) of non-current assets	5	(13)
Gains on disposal of assets	(9)	(13)
Change in other provisions	(6)	(11)
Income tax	74	83
Finance costs, net excluding realised exchange rate effect on cash and cash equivalents	119	217
Operational foreign exchange and derivatives (gains)/losses, net	2	(6)
Share-based payments	3	7
<i>Change in working capital (trade)</i>		
Decrease/(increase) in inventories	(6)	(16)
Decrease/(increase) in trade receivables	(41)	76
Increase/(decrease) in trade payables	9	(322)
<i>Change in working capital (non-trade)</i>		
Decrease/(increase) in prepaid expenses and other receivables	(63)	(335)
Increase/(decrease) in accrued expenses, other payables and deferred income	(3)	396
Interest received	21	6
Interest and interest rate effect on derivatives paid, net	(125)	(131)
Exchange rate effect on derivatives, net	(55)	171
Income tax paid	(67)	(87)
<b>Net cash provided by operating activities</b>	<b>1,084</b>	<b>1,410</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment and intangible assets	(200)	(512)
Increase/(decrease) in amounts due to fixed assets suppliers	(420)	(372)
Proceeds from sale of property, plant and equipment and intangible assets	12	3
Proceeds from sale of subsidiaries, net of cash	-	16
Decrease/(increase) in marketable securities and other financial assets	4	5
Exchange rate effect on derivatives, net	(17)	20
<b>Net cash used in investing activities</b>	<b>(621)</b>	<b>(840)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(3)	(2)
Increase/(decrease) in bank overdrafts and other short-term borrowings	(1)	(1,300)
Purchase of treasury shares including transaction cost	-	(4)
Exchange rate effect on derivatives, net	(23)	2
<b>Net cash used in financing activities</b>	<b>(27)</b>	<b>(1,304)</b>
Net change in cash and cash equivalents	436	(734)
Effect of changes in exchange rates on cash and cash equivalents	-	2
Cash and cash equivalents at the beginning of the period	2,218	1,640
<b>Cash and cash equivalents at the end of the period</b>	<b>2,654</b>	<b>908</b>

## Segment revenue and segment results

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

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

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

Group 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:

<i>(in PLN millions)</i>	Fixed line telecommunications	Mobile telecommunications	Eliminations and unallocated items	Consolidated
<b>3 months ended 31 March 2010</b>				
Revenue:	2,311	1,816	(254)	3,873
External	2,129	1,744	-	3,873
Inter-segment	182	72	(254)	-
EBITDA	919	501	-	1,420
EBIT	293	181	-	474
Capital expenditures	144	57	-	201
- financed through own resources	143	57	-	200
- financed through finance leases	1	-	-	1
<b>3 months ended 31 March 2009</b>				
Revenue:	2,582	1,998	(268)	4,312
External	2,401	1,911	-	4,312
Inter-segment	181	87	(268)	-
EBITDA	1,094	563	-	1,657
EBIT	417	193	-	610
Capital expenditures	302	210	-	512
- financed through own resources	302	210	-	512
- financed through finance leases	-	-	-	-

## **1. The Telekomunikacja Polska Group**

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

The Group is the principal supplier of telecommunications services in Poland. Telekomunikacja Polska provides services, including fixed-line telecommunications services (local calls and long distance calls – domestic and international), Integrated Services Digital Network (“ISDN”), voice mail, dial-up and fixed access to the Internet 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, radio-communications and other telecommunications value added services, sells telecommunications equipment, electronic phone cards and provides data transmission, multimedia services and various Internet services.

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

## **2. Statement of compliance and basis for preparation**

### Basis for preparation

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

These Quarterly Consolidated Financial Statements should be read in conjunction with the audited Telekomunikacja Polska Group IFRS Consolidated Financial Statements and the notes thereto (“IFRS Consolidated Financial Statements”) for the year ended 31 December 2009.

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

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

These Quarterly Consolidated Financial Statements are prepared in millions of Polish zloty (“PLN”) and were authorized for issuance by the Management Board on 21 April 2010.

### Adoption of standards, amendments to standards and interpretations which are compulsory as at 1 January 2010

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, 2010:

- Revised IFRS 3 “Business Combinations”,
- Revised IAS 27 “Consolidated and Separate Financial Statements”,
- Amendments to IAS 39 “Financial Instruments: Eligible Hedged Items”,
- IFRIC 17 “Distribution of Non-cash Assets to Owners”,
- Improvements to International Financial Reporting Standards – a collection of amendments to IFRSs, the amendments are effective, in most cases, for annual periods beginning on or after 1 January 2010,

- Amendments to IFRS 2 “Share-based Payment” - Group cash-settled share-based payment transactions.

Except for revised IFRS 3 and revised IAS 27, the adoption of the standards and interpretations presented above did not result in any significant changes to the Group's accounting policies and to presentation of the financial statements.

The main effect of revised IFRS 3 “Business Combinations” has been:

- to add an option to permit recognition of 100% of the goodwill on acquisition of an entity, not just the acquiring entity's portion of the goodwill, the choice of this option is allowed on a transaction-by-transaction basis,
- to change the recognition and subsequent accounting requirements for contingent consideration,
- to require acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being expensed when incurred and
- for business combinations achieved in stages, to require remeasurement of previously held interests in the acquired entity at fair value. Any gain or loss arising from the remeasurement will be recognised in the income statement.

Revised IAS 27 has resulted in a change in accounting policy regarding increase or decrease in the Group's ownership interest in its subsidiaries. In prior years, in the absence of specific requirements in International Financial Reporting Standards (“IFRS”), increase in interest in existing subsidiaries was treated in the same manner as the acquisition of subsidiaries, with goodwill being recognized where appropriate. There was no decrease in the interest in subsidiaries that did not involve loss of control in TP Group in prior years. Starting from 2010 increase or decrease in interest in existing subsidiaries that does not involve loss of control are dealt, under revised IAS 27, within equity, with no effect on goodwill or income statement.

Revised standards have to be applied prospectively to business combinations for which the transaction date is on or after 1 January 2010. No business combinations occurred during 3 months ended 31 March 2010.

#### Standards and interpretations issued but not yet adopted

Management has not opted for early application of the following standards and interpretations (already endorsed or in the process of being endorsed by the European Union):

- Amendments to IAS 32 “Financial Instruments: Presentation” applicable for financial years beginning on or after 1 February 2010,
- Amendments to IAS 24 “Related Party Disclosures” applicable for financial years beginning on or after 1 January 2011. These amendments have not been endorsed by the European Union,
- IFRS 9 “Financial Instruments” applicable for financial years beginning on or after 1 January 2013. This standard has not been endorsed by the European Union,
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” applicable for financial years beginning on or after 1 July 2010. This interpretation has not been endorsed by the European Union,
- Amendments to IFRIC 14 “Prepayments of a Minimum Funding Requirement” applicable for financial years beginning on or after 1 January 2011. These amendments have not been endorsed by the European Union.

Management is currently analyzing the practical consequences of these new standards and interpretations and the effect of their application on the financial statements.

## Changes in presentation of the financial statements

### *Adoption of revised IFRS 3*

Following the changes in IFRS 3 “Business Combinations” (effective from 1 January 2010), the accounting term “Minority interest” was changed to “Non-controlling interests” in these Quarterly Consolidated Financial Statements.

### *Changes in presentation of items of the consolidated statement of cash flows*

In 2010 the Group changed the presentation of certain items of net cash provided by operating activities in the consolidated statement of cash flows. The changes comprise the presentation of the following two adjustments to reconcile net income to funds generated from operations: finance costs, net excluding realised exchange rate effect on cash and cash equivalents and operational foreign exchange and derivatives (gains) / losses, net. In previous accounting periods, the aforementioned items were grouped as follows: interest income and expense, foreign exchange (gains) / losses, net and derivatives, net (for the 3 months ended 31 March 2009 amounting to PLN 146 million, PLN 470 million and PLN (405) million, respectively). These changes have no effect on net cash provided by operating activities.

Management believes that the current presentation better reflects the nature of transactions concluded.

## **3. Statement of accounting policies**

Except for changes described in Note 2, the accounting policies and methods of computation used in the preparation of the Quarterly Consolidated Financial Statements are consistent with those described in the audited Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2009 (see Notes 2 and 3 to Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2009).

## **4. Explanatory comments about the seasonality or cyclicity of interim operations**

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

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

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

The list of entities included in the Group’s consolidation as at and for the 3 months ended 31 March 2010 is presented in the Note 1.2 of the Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2009.

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

As at 31 March 2010, the Management of the Group performed an assessment of risks of on-going and potential legal and regulatory 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. Information regarding the amount of the provisions has not been separately disclosed, as in the opinion of the Company's Management such disclosure could prejudice the outcome of the pending cases.

Details of status of significant risks are presented in Note 8.

**6. Loan agreements**

On 25 January 2010, TP S.A. concluded a revolving loan agreement with an international syndicate of banks for a total amount of EUR 400 million. The purpose of the new back-up line was to refinance the EUR 550 million revolving back-up facility that supported the Group's liquidity. The agreement was signed for a period of three years and expires on 18 April 2013. The loan interest is based on the EURIBOR rate for the relevant interest periods plus a bank margin. Under a financial covenant included in the agreement, the Group should meet the following financial ratio: Net Debt / EBITDA to be no higher than 3.5:1 confirmed on a semi-annual basis. As at 31 March 2010, the back-up line remained undrawn.

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

On 22 February 2010, the Management Board of TP S.A. adopted a resolution on the distribution of the Company's net income for the financial year 2009, proposing to pay a dividend of PLN 1.50 per share, i.e. PLN 2,003 million. The recommended dividend for 2009 is subject to approval by the shareholders at the General Meeting of Shareholders of TP S.A. on 23 April 2010. If approved, the day on which the right to dividend is set would be 17 June 2010 and the payment date would be 1 July 2010.

**8. Current status of major contingent liabilities or contingent assets since the last annual balance sheet date**

a. Proceedings by UKE, UOKiK and the European Commission

On 25 September 2006, UKE imposed a fine of PLN 100 million on TP S.A. for the infringement of the obligation to determine service prices on the basis of the cost of its provision, 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). TP S.A. appealed to the Court of Competition and Consumer Protection ("SOKiK"). On 22 May 2007, the Court invalidated the fine on procedural grounds. UKE appealed this verdict and on 10 April 2008, the Appeal Court revoked the judgment of SOKiK and remanded the case back to consideration by SOKiK. On 2 June 2009, SOKiK suspended the proceeding until the end of the European Commission proceeding against Poland in the European Court of Justice on attempts of UKE to regulate retail prices of broadband services without a prior analysis of a relevant market, the result of which may, in SOKiK opinion, impact the proceeding suspended by SOKiK.

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 meet the requirements of the Polish telecommunication law that prices of services be based on the cost of their provision (subscription fee for local loop maintenance for Neostrada purpose in case of not using fixed line on the same local loop).

TP S.A. maintains that UKE has no right to challenge the Neostrada price since it is not defined as a regulated service. On 7 March 2007, TP S.A. appealed against the decision. SOKiK has suspended the proceeding until the end of the following proceedings: the European Commission proceeding against Poland in the European Court of Justice described in the previous paragraph and another proceeding before the European Court of Justice, initiated by the Polish Supreme Administrative Court (a question of whether, according to European law, it is possible to implement a general ban on the sale of linked services - as it is stated in art. 57 section 1 item 1 of the Polish Telecommunication Act). On 11 March 2010 the European Court of Justice issued its verdict in the latter proceeding stating that the said provision of the Polish Telecommunication Act at the date of issuance of UKE decision was in line with European law. However, on 12 December 2007 the Unfair Commercial Practices Directive came into force which made the provision contradictory to European law. This verdict does not have any impact on appeal proceedings against UKE's fine of PLN 339 million. It is anticipated that SOKiK will suspend the proceeding until the end of the European Commission proceeding against Poland in the European Court of Justice described in the previous paragraph.

On 20 December 2007, 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. At the same time, UOKiK ordered TP S.A. to immediately cease this practice. TP S.A. disagrees with the decision of UOKiK. On 2 January 2008, TP S.A. appealed to SOKiK against the decision. The matter is currently being investigated by SOKiK.

In September 2008, the European Commission conducted an inspection at the premises of TP S.A. and PTK-Centertel Sp. z o.o. The aim of the inspection was to gather evidence of a possible breach by TP S.A. of competition rules on the broadband Internet market. The Company has challenged, before the European Court of First Instance, the decision of the European Commission that was the basis for its inspection. On 17 April 2009, the European Commission notified TP S.A. of initiation of proceedings on the supposed refusal to provide services and non-price discrimination on the Polish wholesale market of broadband access to the Internet. On 27 April 2009, the European Commission published a memo confirming that the opening of the proceedings did not in itself imply that the European Commission had proof of infringements by Telekomunikacja Polska. On 1 March 2010, TP S.A. received a Statement of Objections from the European Commission regarding an alleged abuse of dominant position, by refusing to supply access to its wholesale broadband services. The date of response to the Statement of Objections is 4 May 2010. Issuing of a Statement of Objections does not prejudice the final outcome of the procedure. At this stage of the proceedings, it is not feasible to foresee the consequences of such proceedings.

Under European law, the Commission may impose a fine on an entity of up to 10% of its total turnover of the preceding business year if it proves infringement of rules on competition. Moreover, the Commission may impose any behavioural or structural remedies which are proportionate to the infringement committed and necessary to bring the infringement effectively to an end. Such a decision can be appealed to the Court of First Instance. The Commission may also impose a fine of up to 1% of the total turnover of the preceding business year for providing incorrect or misleading information.

b. Dispute with DPTG

Information on the background and earlier stages of the arbitration proceedings between the Company and DPTG is presented in Note 32.e to the Telekomunikacja Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2009.

In June 2008, the Arbitration Tribunal decided to split the case into two periods and to render firstly an award settling DPTG's rights for the period from February 1994 to June 2004. In January 2009, the Arbitration Tribunal held a hearing on the merits of the claim and then issued a first set of Directions to the experts of the parties and of the Tribunal for the quantification of DPTG's rights. After a second hearing held in April 2009, dedicated to the examination of the experts, the Tribunal issued a second set of Directions for quantification by the experts of the parties only. The experts responded in July and, in August 2009, the parties filed post-hearing-briefs including legal opinions on the merits of the claim.

In the course of the proceedings, DPTG modified the amount of its claim. In October 2008, it calculated its claim at DKK 6,278 million (approximately EUR 840 million) excluding interest for the period up to the end of 2007. In its post-hearing-brief dated 28 August 2009, DPTG amended its claim in principal adjusting it to the period from February 1994 to June 2004 at DKK 2,781 million (approximately EUR 370 million) and calculated the interest claim on that principal for the period until 28 August 2009 at an amount ranging up to DKK 2,257 million (approximately EUR 300 million). Such amended claim replaced the previous one. The claim for the period from July 2004 to the end of the contract period (January 2009) will be presented to the Tribunal at a later date.

As requested by the Tribunal, on 11 March 2010, TP submitted to the Tribunal the final quantification of its position for the first period (“final prayers for relief”).

The Company strongly disputes both the contractual basis of the claim and the amounts claimed. It has presented to the Tribunal an alternative position based on its clear understanding, and intent, of the contract.

Management has made what it considers to be an appropriate provision for this matter, as supported by outside Counsel and other professional advisers. Information regarding the amount of the provision has not been separately disclosed as, in the opinion of Management, such disclosure could prejudice the outcome of the pending case.

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

As at 31 March 2010, France Telecom S.A. owned 49.79% of shares of the Company and held 49.79% of votes. France Telecom S.A. has the power to appoint a 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, data transmission and research and development services. The purchases from the France Telecom Group mainly comprise costs of interconnect and leased lines, network services, IT services, consulting services and brand fees.

<i>(in PLN millions)</i>	<i>3 months ended</i> <i>31 March 2010</i>	<i>3 months ended</i> <i>31 March 2009</i>
<b>Sales of goods and services to:</b>	<b>43</b>	<b>49</b>
- France Telecom S.A. (parent)	29	32
- France Telecom (group)	14	17
<b>Purchases of goods (including inventories, tangible and intangible assets) and services from:</b>	<b>70</b>	<b>92</b>
- France Telecom S.A. (parent)	22	32
- France Telecom (group)	48	60

In April 2005, PTK-Centertel and Orange Brand Services Limited (UK) (hereinafter referred to as “Orange”) concluded a licence agreement, on the basis of which PTK-Centertel acquired rights to operate under the Orange brand. The brand licence agreement provides that Orange receives a fee of 1.6% of operating revenue for full use of the Orange brand as well as access to the Orange roaming and interconnection arrangements, technology, advanced mobile handsets and consultancy services. The agreement has been concluded for 10 years with the possibility of renewal.

On 24 July 2008, TP S.A., France Telecom S.A. and Orange concluded a license agreement, on which basis TP S.A. will acquire rights to use the Orange brand (trade marks) in relation to the provisioning of TV, ISP and B2B goods and services. The license fee for the use of the Orange trade mark by TP S.A. will amount to 1.6% of the Company’s operating revenue earned under the Orange brand. The agreement has been concluded for 10 years with the possibility of renewal.



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In relation to the above mentioned transactions, purchases of goods and services from France Telecom Group include brand fees of PLN 29 million for the 3 months ended 31 March 2010 (PLN 30 million for the 3 months ended 31 March 2009).

<i>(in PLN millions)</i>	<i>At 31 March 2010</i>	<i>At 31 December 2009</i>
<b>Receivables from:</b>	<b>67</b>	<b>87</b>
- France Telecom S.A. (parent)	41	59
- France Telecom (group)	26	28
<b>Payables to:</b>	<b>190</b>	<b>230</b>
- France Telecom S.A. (parent)	117	124
- France Telecom (group)	73	106

Remuneration and bonuses, compensation and termination indemnities, including compensation under a competition prohibition clause (cash, benefits in kind or any other benefits) paid in accordance with contractual commitments, by TP S.A. and Telekomunikacja Polska Group entities to TP S.A.'s Management Board and Supervisory Board members during the 3 months ended 31 March 2010 and 2009 amounted to PLN 2.7 million and PLN 3.6 million, respectively. In addition, PLN 2.2 million of a termination benefit accrued in 2009 was paid during the 3 months ended 31 March 2010. Remuneration payable by TP S.A. to TP S.A.'s Management Board and Supervisory Board members as at 31 March 2009 amounted to PLN 0.5 million. In the 3 months ended 31 March 2010 and 2009, the amount of accrued costs for bonuses for the Company's Management Board amounted to PLN 0.7 million and PLN 1 million, respectively.

In addition to the amounts presented above, during the 3 months ended 31 March 2010 the estimated cost of share-based payments under TP S.A.'s incentive programme allocated to the Company's Management Board amounted to PLN 0.2 million. During the 3 months ended 31 March 2009, the estimated cost of share-based payments under TP S.A.'s and France Telecom S.A.'s incentive programmes allocated to the Company's Management Board amounted to PLN 0.3 million. In the 3 months ended 31 March 2010, no cost was recognised in respect of France Telecom S.A.'s incentive programme as the vesting period of the programme ended in 2009.

## **10. 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 Shareholders, 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 22 April 2010, i.e. the date of submission of the quarterly report for the first quarter of 2010:

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders	Percentage of the total number of votes at the General Meeting of Shareholders	Nominal value of shares held (in PLN)	Share in the capital
France Telecom S.A.	664,999,999	664,999,999	49.79%	1,994,999,997	49.79%
State Treasury <sup>(1)</sup>	55,491,532	55,491,532	4.15%	166,474,596	4.15%
Other shareholders	615,157,490	615,157,490	46.06%	1,845,472,470	46.06%
<b>TOTAL</b>	<b>1,335,649,021</b>	<b>1,335,649,021</b>	<b>100.00%</b>	<b>4,006,947,063</b>	<b>100.00%</b>

<sup>(1)</sup> Amounts presented are based on the number of shares registered by the State Treasury at the General Meeting of Shareholders of TP S.A. which was held on 23 April 2009.

The ownership structure of the Company's share capital, based on the best information available to the Company as at 23 February 2010, i.e. the date of submission of the annual report for the 12 months ended 31 December 2009:

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders	Percentage of the total number of votes at the General Meeting of Shareholders	Nominal value of shares held (in PLN)	Share in the capital
France Telecom S.A.	664,999,999	664,999,999	49.79%	1,994,999,997	49.79%
State Treasury <sup>(1)</sup>	55,491,532	55,491,532	4.15%	166,474,596	4.15%
Other shareholders	615,157,490	615,157,490	46.06%	1,845,472,470	46.06%
<b>TOTAL</b>	<b>1,335,649,021</b>	<b>1,335,649,021</b>	<b>100.00%</b>	<b>4,006,947,063</b>	<b>100.00%</b>

<sup>(1)</sup> Amounts presented are based on the number of shares registered by the State Treasury at the General Meeting of Shareholders of TP S.A. which was held on 23 April 2009.

**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, 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 2010 and the annual report for the 12 months ended 31 December 2009 is as follows:

	22 April 2010	23 February 2010
Maciej Witucki	305,557	305,557
Vincent Lobry	-	-
Piotr Muszyński	190,896	190,896
Roland Dubois	-	-

The members of the Supervisory Board of TP S.A. do not participate in the Company's incentive program and as at 22 April 2010 and 23 February 2010 held no bond with a pre-emption right.

As at 22 April 2010, i.e. the date of submission of the quarterly report for the first quarter of 2010, there was no TP S.A. share held by members of the Management Board and the Supervisory Board of TP S.A.

As at 23 February 2010, i.e. the date of submission of the annual report for the 12 months ended 31 December 2009, there was no TP S.A. share held by 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 2010, 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., will affect its results over at least the next quarter

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

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

The Company may be also influenced by changes in the regulatory environment in Poland, in particular by continuously evolving regulated wholesale offers introduced in the last two years as well as a decrease in mobile termination rates (MTRs) which in 2009 was the most significant ever. These regulatory impacts as well as rather slow economic growth in Poland may drive TP S.A.'s revenues below the level of last year. In addition, profitability could be under pressure in 2010 as a result of revenue erosion and impact of foreign exchange rates.

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

## VI. Foreign exchange rates

The balance sheet data as at 31 March 2010 and 31 December 2009 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 2010 and 2009, were 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 2010 and 2009.

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 2010	31 December 2009	31 March 2009
Balance sheet	3.8622 PLN	4.1082 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	3.9669 PLN	Not applicable	4.5994 PLN

**TELEKOMUNIKACJA POLSKA S.A.  
CONDENSED IFRS QUARTERLY SEPARATE FINANCIAL  
STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2010**

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**Telekomunikacja Polska S.A.**  
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*Translation of the financial statements originally issued in Polish*

**INCOME STATEMENT**

*(Amounts in PLN millions, except for share data)*

	<b>3 months ended 31 March 2010</b> <i>(unaudited)</i>	<b>3 months ended 31 March 2009</b> <i>(reclassified-see Note 2, unaudited)</i>
<b>Revenue</b>	<b>2,176</b>	<b>2,445</b>
External purchases	(824)	(910)
Labour expenses	(453)	(479)
Other operating expense	(108)	(86)
Other operating income	52	57
Gains on disposal of assets	7	15
Depreciation and amortization	(602)	(671)
(Impairment)/reversal of impairment of non-current assets	(5)	15
<b>Operating income</b>	<b>243</b>	<b>386</b>
Dividend income	79	75
Interest income	102	60
Interest expense and other financial charges	(218)	(184)
Foreign exchange gains/(losses)	(53)	21
Discounting expense	(9)	(9)
<b>Finance costs, net</b>	<b>(99)</b>	<b>(37)</b>
Income tax	(19)	(57)
<b>Net income</b>	<b>125</b>	<b>292</b>
<b>Earnings per share (in PLN) (basic and diluted)</b>	<b>0.09</b>	<b>0.22</b>
Weighted average number of shares (in millions) (basic and diluted)	1,336	1,336

**STATEMENT OF COMPREHENSIVE INCOME**

*(Amounts in PLN millions)*

	<b>3 months ended 31 March 2010</b> <i>(unaudited)</i>	<b>3 months ended 31 March 2009</b> <i>(unaudited)</i>
<b>Net income</b>	<b>125</b>	<b>292</b>
Gains/(losses) on cash flow hedges	(20)	22
Income tax relating to components of other comprehensive income	4	(4)
<b>Other comprehensive income, net of tax</b>	<b>(16)</b>	<b>18</b>
<b>Total comprehensive income</b>	<b>109</b>	<b>310</b>

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*Translation of the financial statements originally issued in Polish*

**BALANCE SHEET**

(Amounts in PLN millions)

	<b>At 31 March 2010 (unaudited)</b>	<b>At 31 December 2009 (audited)</b>
<b>ASSETS</b>		
Intangible assets	1,009	1,055
Property, plant and equipment	12,978	13,421
Investments in subsidiaries	7,651	7,651
Financial assets available for sale	4	4
Loans and receivables excluding trade receivables	3,356	3,422
Financial assets at fair value through profit or loss	74	75
Hedging derivatives	57	41
Deferred tax assets	194	228
<b>Total non-current assets</b>	<b>25,323</b>	<b>25,897</b>
Inventories	42	42
Trade receivables	751	697
Loans and receivables excluding trade receivables	282	276
Financial assets at fair value through profit or loss	1	2
Hedging derivatives	-	1
Income tax assets	30	17
Other assets	325	232
Prepaid expenses	81	34
Cash and cash equivalents	2,489	1,996
<b>Total current assets</b>	<b>4,001</b>	<b>3,297</b>
<b>TOTAL ASSETS</b>	<b>29,324</b>	<b>29,194</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	4,007	4,007
Share premium	832	832
Other reserves	59	73
Retained earnings	9,150	9,025
<b>Total equity</b>	<b>14,048</b>	<b>13,937</b>
Financial liabilities at amortised cost excluding trade payables	9,086	9,429
Financial liabilities at fair value through profit or loss	120	61
Hedging derivatives	335	148
Employee benefits	223	217
Provisions	145	148
Deferred income	43	46
<b>Total non-current liabilities</b>	<b>9,952</b>	<b>10,049</b>
Financial liabilities at amortised cost excluding trade payables	2,390	2,109
Financial liabilities at fair value through profit or loss	144	90
Hedging derivatives	-	1
Trade payables	1,247	1,371
Employee benefits	198	213
Provisions	1,108	1,164
Other liabilities	172	194
Deferred income	65	66
<b>Total current liabilities</b>	<b>5,324</b>	<b>5,208</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>29,324</b>	<b>29,194</b>

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**Condensed IFRS Quarterly Separate Financial Statements – 31 March 2010**

*Translation of the financial statements originally issued in Polish*

**STATEMENT OF CHANGES IN EQUITY**

*(Amounts in PLN millions)*

	Number of shares in issue (not in millions)	Share capital	Share premium	Treasury shares	Other reserves			Retained earnings	Total
					Hedging instruments	Deferred taxes	Share-based payments		
<b>Balance at 1 January 2009 (audited)</b>	<b>1 335 649 021</b>	<b>4,106</b>	<b>832</b>	<b>(704)</b>	<b>(28)</b>	<b>5</b>	<b>27</b>	<b>8,277</b>	<b>12,515</b>
Total comprehensive income for the 3 months ended 31 March 2009		-	-	-	22	(4)	-	292	310
Share-based payments		-	-	-	-	-	5	-	5
Cancellation of treasury shares	-	(99)	-	704	-	-	-	(605)	-
<b>Balance at 31 March 2009 (unaudited)</b>	<b>1 335 649 021</b>	<b>4,007</b>	<b>832</b>	<b>-</b>	<b>(6)</b>	<b>1</b>	<b>32</b>	<b>7,964</b>	<b>12,830</b>
<b>Balance at 1 January 2010 (audited)</b>	<b>1 335 649 021</b>	<b>4,007</b>	<b>832</b>	<b>-</b>	<b>11</b>	<b>(2)</b>	<b>64</b>	<b>9,025</b>	<b>13,937</b>
Total comprehensive income for the 3 months ended 31 March 2010		-	-	-	(20)	4	-	125	109
Share-based payments		-	-	-	-	-	2	-	2
<b>Balance at 31 March 2010 (unaudited)</b>	<b>1 335 649 021</b>	<b>4,007</b>	<b>832</b>	<b>-</b>	<b>(9)</b>	<b>2</b>	<b>66</b>	<b>9,150</b>	<b>14,048</b>



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**STATEMENT OF CASH FLOWS**

*(Amounts in PLN millions)*

	<b>3 months ended 31 March 2010</b>	<b>3 months ended 31 March 2009</b>
	<i>(unaudited)</i>	<i>(reclassified-see Note 2, unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Net income	125	292
<i>Adjustments to reconcile net income to funds generated from operations</i>		
Depreciation and amortization	602	671
Impairment/(reversal of impairment) of non-current assets	5	(15)
Gains on disposal of assets	(7)	(15)
Change in other provisions	(9)	(22)
Income tax	19	57
Finance costs, net excluding realised exchange rate effect on cash and cash equivalents	99	48
Operational foreign exchange and derivatives (gains)/losses, net	2	(13)
Share-based payments	2	4
<i>Change in working capital (trade)</i>		
Decrease/(increase) in inventories	-	(17)
Decrease/(increase) in trade receivables	(65)	71
Increase/(decrease) in trade payables	140	(110)
<i>Change in working capital (non-trade)</i>		
Decrease/(increase) in prepaid expenses and other receivables	(52)	(309)
Increase/(decrease) in accrued expenses, other payables and deferred income	-	(63)
Interest received	21	3
Interest and interest rate effect on derivatives paid, net	(131)	(165)
Exchange rate effect on derivatives, net	(54)	172
Income tax paid	(34)	(46)
<b>Net cash provided by operating activities</b>	<b>663</b>	<b>543</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment and intangible assets	(129)	(280)
Increase/(decrease) in amounts due to fixed assets suppliers	(245)	251
Proceeds from sale of property, plant and equipment and intangible assets	11	3
Cash paid for investment securities	-	1
Proceeds from sale of investments in subsidiaries	-	19
Decrease/(increase) in marketable securities and other financial assets	3	10
Exchange rate effect on derivatives, net	(27)	19
<b>Net cash provided by/ (used in) investing activities</b>	<b>(387)</b>	<b>23</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(3)	(2)
Increase/(decrease) in bank overdrafts and other short-term borrowings	243	(1,284)
Purchase of treasury shares including transaction cost	-	(4)
Exchange rate effect on derivatives, net	(23)	2
<b>Net cash provided by/ (used in) financing activities</b>	<b>217</b>	<b>(1,288)</b>
Net change in cash and cash equivalents	493	(722)
Effect of changes in exchange rates on cash and cash equivalents	-	(2)
Cash and cash equivalents at the beginning of the period	1,996	1,051
<b>Cash and cash equivalents at the end of the period</b>	<b>2,489</b>	<b>327</b>

## **1. Telekomunikacja Polska S.A.**

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

The Company is the principal supplier of telecommunications services in Poland. Telekomunikacja Polska provides services, including fixed-line telecommunications services (local calls and long distance calls – domestic and international), Integrated Services Digital Network (“ISDN”), voice mail, dial-up and fixed access to the Internet and Voice over Internet Protocol (“VoIP”). In addition, the Company provides leased lines, radio-communications and other telecommunications value added services, sells telecommunications equipment, electronic phone cards and provides data transmission, multimedia services and various Internet services. Telekomunikacja Polska provides telecommunications services on the basis of entry number 1 in the register of telecommunications companies maintained by the President of Office of Electronic Communication (“UKE”).

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

## **2. Statement of compliance and basis for preparation**

### 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 2009.

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

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

These Quarterly Separate Financial Statements are prepared in millions of Polish zloty (“PLN”) and were authorized for issuance by the Management Board on 21 April 2010.

### Adoption of standards, amendments to standards and interpretations which are compulsory as at 1 January 2010

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, 2010:

- Revised IFRS 3 “Business Combinations”,
- Revised IAS 27 “Consolidated and Separate Financial Statements”,
- Amendments to IAS 39 “Financial Instruments: Eligible Hedged Items”,
- IFRIC 17 “Distribution of Non-cash Assets to Owners”,
- Improvements to International Financial Reporting Standards – a collection of amendments to IFRSs, the amendments are effective, in most cases, for annual periods beginning on or after 1 January 2010,
- Amendments to IFRS 2 “Share-based Payment” - Group cash-settled share-based payment transactions.

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

#### Standards and interpretations issued but not yet adopted

Management has not opted for early application of the following standards and interpretations (already endorsed or in the process of being endorsed by the European Union):

- Amendments to IAS 32 "Financial Instruments: Presentation" applicable for financial years beginning on or after 1 February 2010,
- Amendments to IAS 24 "Related Party Disclosures" applicable for financial years beginning on or after 1 January 2011. These amendments have not been endorsed by the European Union,
- IFRS 9 "Financial Instruments" applicable for financial years beginning on or after 1 January 2013. This standard has not been endorsed by the European Union,
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" applicable for financial years beginning on or after 1 July 2010. This interpretation has not been endorsed by the European Union,
- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement" applicable for financial years beginning on or after 1 January 2011. These amendments have not been endorsed by the European Union.

Management is currently analyzing the practical consequences of these new standards and interpretations and the effect of their application on the financial statements.

#### Changes in presentation of the financial statements

##### *Changes in presentation of items of finance costs, net*

In the second quarter of 2009, the Company changed the presentation of dividend income on the face of the income statement and presented it separately from interest income. Before this change, both dividend income and interest income (for the 3 months ended 31 March 2009 amounting to PLN 75 million and PLN 60 million, respectively) were presented in aggregate under interest income. This change has no effect on finance costs, net or net income for the period.

##### *Changes in presentation of items of the statement of cash flows*

In 2010, the Company changed the presentation of certain items of net cash provided by operating activities in the statement of cash flows. The changes comprise the presentation of the following two adjustments to reconcile net income to funds generated from operations: finance costs, net excluding realised exchange rate effect on cash and cash equivalents and operational foreign exchange and derivatives (gains) / losses, net. In previous accounting periods, the aforementioned items were grouped as follows: interest income and expense, foreign exchange (gains) / losses, net and derivatives, net (for the 3 months ended 31 March 2009 amounting to PLN 53 million, PLN 393 million and PLN (411) million, respectively). These changes have no effect on net cash provided by operating activities.

Management believes that the current presentation better reflects the nature of transactions concluded.

### **3. Statement of accounting policies**

Except for changes described in Note 2, the accounting policies and methods of computation used in the preparation of the Quarterly Separate Financial Statements are consistent with those described in the audited Telekomunikacja Polska IFRS Financial Statements for the year ended 31 December 2009 (see Notes 2 and 3 to Telekomunikacja Polska S.A. IFRS Separate Financial Statements for the year ended 31 December 2009).

### **4. Explanatory comments about the seasonality or cyclicity of interim operations**

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

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

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

The list of subsidiaries of the Company as at and for the 3 months ended 31 March 2010 is presented in the Note 14.1 of the Telekomunikacja Polska S.A. IFRS Separate Financial Statements for the year ended 31 December 2009.

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

As at 31 March 2010, the Management of the Company performed an assessment of risks of on-going and potential legal and regulatory 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. Information regarding the amount of the provisions has not been separately disclosed, as in the opinion of the Company's Management such disclosure could prejudice the outcome of the pending cases.

Details of status of significant risks are presented in Note 8.

### **6. Issuances, repurchases, and repayments of debt securities and loan agreements**

#### Loan agreements

On 25 January 2010, TP S.A. concluded a revolving loan agreement with an international syndicate of banks for a total amount of EUR 400 million. The purpose of the new back-up line was to refinance the EUR 550 million revolving back-up facility that supported TP S.A.'s liquidity. The agreement was signed for a period of three years and expires on 18 April 2013. The loan interest is based on the EURIBOR rate for the relevant interest periods plus a bank margin. Under a financial covenant included in the agreement, TP S.A. should meet the following financial ratio: Net Debt / EBITDA calculated on the Group's consolidated results to be no higher than 3.5:1 confirmed on a semi-annual basis. As at 31 March 2010, the back-up line remained undrawn.

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

In the 3 months ended 31 March 2010, 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 2010, the net cash flows on the bonds amounted to PLN 238 million. As a result of the issues and redemptions, the aggregate par value of the outstanding bonds issued under the programme amounts to PLN 1,706 million as at 31 March 2010.

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

On 22 February 2010, the Management Board of TP S.A. adopted a resolution on the distribution of the Company's net income for the financial year 2009, proposing to pay a dividend of PLN 1.50 per share, i.e. PLN 2,003 million. The recommended dividend for 2009 is subject to approval by the shareholders at the General Meeting of Shareholders of TP S.A. on 23 April 2010. If approved, the day on which the right to dividend is set would be 17 June 2010 and the payment date would be 1 July 2010.

#### **8. Current status of major contingent liabilities or contingent assets since the last annual balance sheet date**

##### a. Proceedings by UKE, UOKiK and the European Commission

On 25 September 2006, UKE imposed a fine of PLN 100 million on TP S.A. for the infringement of the obligation to determine service prices on the basis of the cost of its provision, as a result of not implementing the offer to sell Neotrada (Internet services) separately from the fixed line subscription (allocating costs of local loop entirely to fixed line subscription). TP S.A. appealed to the Court of Competition and Consumer Protection ("SOKiK"). On 22 May 2007, the Court invalidated the fine on procedural grounds. UKE appealed this verdict and on 10 April 2008, the Appeal Court revoked the judgment of SOKiK and remanded the case back to consideration by SOKiK. On 2 June 2009, SOKiK suspended the proceeding until the end of the European Commission proceeding against Poland in the European Court of Justice on attempts of UKE to regulate retail prices of broadband services without a prior analysis of a relevant market, the result of which may, in SOKiK opinion, impact the proceeding suspended by SOKiK.

On 22 February 2007, after TP S.A. had separated providing Neotrada 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 Neotrada price list for UKE's approval, and for failing to meet the requirements of the Polish telecommunication law that prices of services be based on the cost of their provision (subscription fee for local loop maintenance for Neotrada purpose in case of not using fixed line on the same local loop). TP S.A. maintains that UKE has no right to challenge the Neotrada price since it is not defined as a regulated service. On 7 March 2007, TP S.A. appealed against the decision. SOKiK has suspended the proceeding until the end of the following proceedings: the European Commission proceeding against Poland in the European Court of Justice described in the previous paragraph and another proceeding before the European Court of Justice, initiated by the Polish Supreme Administrative Court (a question of whether, according to European law, it is possible to implement a general ban on the sale of linked services - as it is stated in art. 57 section 1 item 1 of the Polish Telecommunication Act). On 11 March 2010 the European Court of Justice issued its verdict in the latter proceeding stating that the said provision of the Polish Telecommunication Act at the date of issuance of UKE decision was in line with European law. However, on 12 December 2007 the Unfair Commercial Practices Directive came into force which made the provision contradictory to European law. This verdict does not have any impact on

appeal proceedings against UKE's fine of PLN 339 million. It is anticipated that SOKiK will suspend the proceeding until the end of the European Commission proceeding against Poland in the European Court of Justice described in the previous paragraph.

On 20 December 2007, 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. At the same time, UOKiK ordered TP S.A. to immediately cease this practice. TP S.A. disagrees with the decision of UOKiK. On 2 January 2008, TP S.A. appealed to SOKiK against the decision. The matter is currently being investigated by SOKiK.

In September 2008, the European Commission conducted an inspection at the premises of TP S.A. and PTK-Centertel Sp. z o.o. The aim of the inspection was to gather evidence of a possible breach by TP S.A. of competition rules on the broadband Internet market. The Company has challenged, before the European Court of First Instance, the decision of the European Commission that was the basis for its inspection. On 17 April 2009, the European Commission notified TP S.A. of initiation of proceedings on the supposed refusal to provide services and non-price discrimination on the Polish wholesale market of broadband access to the Internet. On 27 April 2009, the European Commission published a memo confirming that the opening of the proceedings did not in itself imply that the European Commission had proof of infringements by Telekomunikacja Polska. On 1 March 2010, TP S.A. received a Statement of Objections from the European Commission regarding an alleged abuse of dominant position, by refusing to supply access to its wholesale broadband services. The date of response to the Statement of Objections is 4 May 2010. Issuing of a Statement of Objections does not prejudice the final outcome of the procedure. At this stage of the proceedings, it is not feasible to foresee the consequences of such proceedings.

Under European law, the Commission may impose a fine on an entity of up to 10% of its total turnover of the preceding business year if it proves infringement of rules on competition. Moreover, the Commission may impose any behavioural or structural remedies which are proportionate to the infringement committed and necessary to bring the infringement effectively to an end. Such a decision can be appealed to the Court of First Instance. The Commission may also impose a fine of up to 1% of the total turnover of the preceding business year for providing incorrect or misleading information.

**b. Dispute with DPTG**

Information on the background and earlier stages of the arbitration proceedings between the Company and DPTG is presented in Note 29.e to the Telekomunikacja Polska S.A. IFRS Separate Financial Statements for the year ended 31 December 2009.

In June 2008, the Arbitration Tribunal decided to split the case into two periods and to render firstly an award settling DPTG's rights for the period from February 1994 to June 2004. In January 2009, the Arbitration Tribunal held a hearing on the merits of the claim and then issued a first set of Directions to the experts of the parties and of the Tribunal for the quantification of DPTG's rights. After a second hearing held in April 2009, dedicated to the examination of the experts, the Tribunal issued a second set of Directions for quantification by the experts of the parties only. The experts responded in July and, in August 2009, the parties filed post-hearing-briefs including legal opinions on the merits of the claim.

In the course of the proceedings, DPTG modified the amount of its claim. In October 2008, it calculated its claim at DKK 6,278 million (approximately EUR 840 million) excluding interest for the period up to the end of 2007. In its post-hearing-brief dated 28 August 2009, DPTG amended its claim in principal adjusting it to the period from February 1994 to June 2004 at DKK 2,781 million (approximately EUR 370 million) and calculated the interest claim on that principal for the period until 28 August 2009 at an amount ranging up to DKK 2,257 million (approximately EUR 300 million). Such amended claim replaced the previous one. The claim for the period from July 2004 to the end of the contract period (January 2009) will be presented to the Tribunal at a later date.

As requested by the Tribunal, on 11 March 2010, TP submitted to the Tribunal the final quantification of its position for the first period ("final prayers for relief").

The Company strongly disputes both the contractual basis of the claim and the amounts claimed. It has presented to the Tribunal an alternative position based on its clear understanding, and intent, of the contract.

Management has made what it considers to be an appropriate provision for this matter, as supported by outside Counsel and other professional advisers. Information regarding the amount of the provision has not been separately disclosed as, in the opinion of Management, such disclosure could prejudice the outcome of the pending case.

c. Guarantees

As at 31 March 2010 and 31 December 2009, total guarantees granted by Telekomunikacja Polska S.A. to purchasers of debt securities amounted to PLN 4,041 million and PLN 4,242 million, respectively.

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

As at 31 March 2010, France Telecom S.A. owned 49.79% of shares of the Company and held 49.79% of votes. France Telecom S.A. has the power to appoint a 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 mainly comprises interconnect and leased lines, fees for distribution of products through its own sales network, property rental and related fees. The purchases from the subsidiaries comprise mainly costs of interconnect, leased lines, network services, property rental and related fees as well as customer support and management services. Costs incurred by the Company in transactions with its subsidiaries also comprise donations to Fundacja Orange.

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

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 and interest on loans from the subsidiaries. The Company's financial receivables from its subsidiaries mainly comprise bonds issued by subsidiaries, dividends and loans granted to the subsidiaries, together with accrued interests. TP S.A.'s financial payables to related parties comprise bonds issued to the subsidiaries and loans from the subsidiaries, together with accrued interests.

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<i>(in PLN millions)</i>	<i>3 months ended 31 March 2010</i>	<i>3 months ended 31 March 2009</i>
<b>Sales of goods and services to:</b>	<b>243</b>	<b>238</b>
TP Group	206	197
- TP Group (subsidiaries)	206	197
- TP Group (associates)	-	-
France Telecom Group	37	41
- France Telecom S.A. (parent)	26	28
- France Telecom (group)	11	13
<b>Purchases of goods (including inventories, tangible and intangible assets) and services from:</b>	<b>215</b>	<b>207</b>
TP Group	185	160
- TP Group (subsidiaries)	185	160
- TP Group (associates)	-	-
France Telecom Group	30	47
- France Telecom S.A. (parent)	16	29
- France Telecom (group)	14	18
<b>Financial income:</b>	<b>160</b>	<b>132</b>
TP Group	160	132
- TP Group (subsidiaries)	160	132
- TP Group (associates)	-	-
France Telecom Group	-	-
- France Telecom S.A. (parent)	-	-
- France Telecom (group)	-	-
<b>Financial expense:</b>	<b>140</b>	<b>108</b>
TP Group	140	108
- TP Group (subsidiaries)	140	108
- TP Group (associates)	-	-
France Telecom Group	-	-
- France Telecom S.A. (parent)	-	-
- France Telecom (group)	-	-

On 24 July 2008, TP S.A., France Telecom S.A. and Orange Brand Services Limited (UK) (hereinafter referred to as "Orange") concluded a license agreement, on which basis TP S.A. will acquire rights to use the Orange brand (trade marks) in relation to the provisioning of TV, ISP and B2B goods and services. The license fee for the use of the Orange trade mark by TP S.A. will amount to 1.6% of the Company's operating revenue earned under the Orange brand. The agreement has been concluded for 10 years with the possibility of renewal.



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<i>(in PLN millions)</i>	<i>At 31 March 2010</i>	<i>At 31 December 2009</i>
<b>Receivables from:</b>	<b>208</b>	<b>185</b>
TP Group	167	125
- TP Group (subsidiaries)	167	125
- TP Group (associates)	-	-
France Telecom Group	41	60
- France Telecom S.A. (parent)	33	52
- France Telecom (group)	8	8
<b>Financial receivables from:</b>	<b>3,699</b>	<b>3,683</b>
TP Group	3,699	3,683
- TP Group (subsidiaries)	3,699	3,683
- TP Group (associates)	-	-
France Telecom Group	-	-
- France Telecom S.A. (parent)	-	-
- France Telecom (group)	-	-
<b>Payables to:</b>	<b>363</b>	<b>295</b>
TP Group	283	203
- TP Group (subsidiaries)	283	203
- TP Group (associates)	-	-
France Telecom Group	80	92
- France Telecom S.A. (parent)	69	80
- France Telecom (group)	11	12
<b>Financial payables to:</b>	<b>9,380</b>	<b>9,398</b>
TP Group	9,380	9,398
- TP Group (subsidiaries)	9,380	9,398
- TP Group (associates)	-	-
France Telecom Group	-	-
- France Telecom S.A. (parent)	-	-
- France Telecom (group)	-	-

In addition to the above mentioned receivables from TP Group subsidiaries, as at 31 March 2010 and 31 December 2009 TP S.A. had a receivable amounting to PLN 177 million from TP Invest Sp. z o.o. resulting from disposal of Virgo Sp. z o.o. shares in 2009.

Remuneration and bonuses, compensation and termination indemnities, including compensation under a competition prohibition clause (cash, benefits in kind or any other benefits) paid in accordance with contractual commitments, by TP S.A. and Telekomunikacja Polska Group entities to TP S.A.'s Management Board and Supervisory Board members during the 3 months ended 31 March 2010 and 2009 amounted to PLN 2.7 million and PLN 3.6 million, respectively. In addition, PLN 2.2 million of a termination benefit accrued in 2009 was paid during the 3 months ended 31 March 2010. Remuneration payable by TP S.A. to TP S.A.'s Management Board and Supervisory Board members as at 31 March 2009 amounted to PLN 0.5 million. In the 3 months ended 31 March 2010 and 2009, the amount of accrued costs for bonuses for the Company's Management Board amounted to PLN 0.7 million and PLN 1 million, respectively.

In addition to the amounts presented above, during the 3 months ended 31 March 2010 the estimated cost of share-based payments under TP S.A.'s incentive programme allocated to the Company's Management Board amounted to PLN 0.2 million. During the 3 months ended 31 March 2009, the estimated cost of share-based payments under TP S.A.'s and France Telecom S.A.'s incentive programmes allocated to the Company's Management Board amounted to PLN 0.3 million. In the 3 months ended 31 March 2010, no cost was recognised in respect of France Telecom S.A.'s incentive programme as the vesting period of the programme ended in 2009.

## 10. Subsequent events

There was no significant event after the balance sheet date.