☐ - restated

POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the third 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 **third quarter** of **2010**, i.e. **from 1 January 2010 to 30 September 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: **27 October 2010**

TELEKOMUNIKACJA POLSKA SA
(full name of issuer)

TPSA (abbreviated name of the issuer)

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

00-105 (post code)

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SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	3 quarter cumulative period from 01/01/2010 to 30/09/2010	3 quarter cumulative period from 01/01/2009 to 30/09/2009	3 quarter cumulative period from 01/01/2010 to 30/09/2010	3 quarter cumulative period from 01/01/2009 to 30/09/2009
condensed consolidated financial statements data				
I. Revenues	11 758 000	12 555 000	2 937 517	2 853 863
II. Operating income	478 000	1 640 000	119 419	372 787
III. Profit before income tax	137 000	1 268 000	34 227	288 228
IV. Consolidated net income/(loss)	(110 000)	1 031 000	(27 481)	234 355
V. Net income/(loss) attributable to owners of TP S.A.	(111 000)	1 030 000	(27 731)	234 128
VI. Earnings/(loss) per share (in PLN/EUR) (basic and diluted)	(0.08)	0.77	(0.02)	0.18
VII. Weighted average number of shares (in millions) (basic and diluted)	1 336	1 336	1 336	1 336
VIII. Total comprehensive income/(loss)	(139 000)	1 072 000	(34 727)	243 675
IX. Total comprehensive income/(loss) attributable to owners of TP S.A.	(140 000)	1 071 000	(34 976)	243 448
X. Net cash provided by operating activities	3 467 000	3 956 000	866 165	899 234
XI. Net cash used in investing activities	(1 431 000)	(1 895 000)	(357 509)	(430 750)
XII. Net cash used in financing activities	(2 165 000)	(2 549 000)	(540 885)	(579 410)
XIII. Total net change in cash and cash equivalents	(129 000)	(488 000)	(32 228)	(110 927)
	balance as at 30/09/2010	balance as at 31/12/2009	balance as at 30/09/2010	balance as at 31/12/2009
XIV. Total current assets	4 165 000	4 189 000	1 044 645	1 019 668
XV. Total non-current assets	23 553 000	25 176 000	5 907 449	6 128 231
XVI. Total assets	27 718 000	29 365 000	6 952 094	7 147 899
XVII. Total current liabilities	7 088 000	5 222 000	1 777 778	1 271 116
XVIII. Total non-current liabilities	6 214 000	7 590 000	1 558 565	1 847 524
XIX. Total equity	14 416 000	16 553 000	3 615 751	4 029 259
XX. Equity attributable to owners of TP S.A.	14 402 000	16 539 000	3 612 240	4 025 851
XXI. Share capital	4 007 000	4 007 000	1 005 016	975 366
condensed separate financial statements data				
	3 quarter cumulative period from 01/01/2010 to 30/09/2010	3 quarter cumulative period from 01/01/2009 to 30/09/2009	3 quarter cumulative period from 01/01/2010 to 30/09/2010	3 quarter cumulative period from 01/01/2009 to 30/09/2009
I. Revenues	6 377 000	7 061 000	1 593 175	1 605 028
II. Operating income/(loss)	(350 000)	978 000	(87 441)	222 308
III. Profit before income tax	988 000	3 459 000	246 833	786 261
IV. Net income	880 000	3 356 000	219 852	762 849
V. Earnings per share (in PLN/EUR) (basic and diluted)	0.66	2.51	0.16	0.57
VI. Weighted average number of shares (in millions) (basic and diluted)	1 336	1 336	1 336	1 336
VII. Total comprehensive income	862 000	3 388 000	215 355	770 123
VIII. Net cash provided by operating activities	2 682 000	4 430 000	670 048	1 006 978
IX. Net cash used in investing activities	(685 000)	(1 400 000)	(171 134)	(318 232)
X. Net cash used in financing activities	(2 012 000)	(3 247 000)	(502 661)	(738 072)
XI. Total net change in cash and cash equivalents	(15 000)	(217 000)	(3 747)	(49 326)
	balance as at 30/09/2010	balance as at 31/12/2009	balance as at 30/09/2010	balance as at 31/12/2009
XII. Total current assets	4 142 000	3 297 000	1 038 876	802 541
XIII. Total non-current assets	24 604 000	25 906 000	6 171 056	6 305 925
XIV. Total assets	28 746 000	29 203 000	7 209 932	7 108 466
XV. Total current liabilities	7 480 000	5 208 000	1 876 097	1 267 708
XVI. Total non-current liabilities	8 506 000	10 099 000	2 133 434	2 458 254
XVII. Total equity	12 760 000	13 896 000	3 200 401	3 382 503
XVIII. Share capital	4 007 000	4 007 000	1 005 016	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 recognizing as equivalent information required by the laws of a non-member state - Journal of Laws of 2009, no. 33, item 259, with amendments ("the Decree of the Minister of Finance of 19 February 2009"), the Management Board of Telekomunikacja Polska S.A. ("TP S.A.", "the Company") discloses the following information:

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

The ownership structure of the Company's share capital, based on the best information available to the Company as at 27 October 2010, i.e. the date of submission of the quarterly report for the third 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%
Capital Group International, Inc. (1)	67,546,647	67,546,647	5.06%	202,639,941	5.06%
Other shareholders	603,102,375	603,102,375	45.15%	1,809,307,125	45.15%
TOTAL	**1,335,649,021**	**1,335,649,021**	**100.00%**	**4,006,947,063**	**100.00%**

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

The ownership structure of the Company's share capital, based on the best information available to the Company as at 28 July 2010, i.e. the date of submission of the condensed interim report for the 6 months ended 30 June 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 (1)	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%
TOTAL	**1,335,649,021**	**1,335,649,021**	**100.00%**	**4,006,947,063**	**100.00%**

(1) 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 State Treasury did not register its shares at the General Meeting of Shareholders of TP S.A. which was held on 23 April 2010. On 5 August 2010, the State Treasury announced that it sold 4.15% shares of TP S.A. through the Warsaw Stock Exchange in the period from 14 January to 5 August 2010.

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

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

The number of bonds with a pre-emption right held by members of the Management Board of the Company at the dates of submission of the quarterly report for the third quarter of 2010 and the condensed interim report for the 6 months ended 30 June 2010 is as follows:

	27 October 2010	28 July 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 27 October 2010 and 28 July 2010 held no bond with a pre-emption right.

As at 27 October 2010, i.e. the date of submission of the quarterly report for the third quarter of 2010, Maciej Witucki, President of the Management Board, held 4.000 TP S.A. shares and there was no TP S.A. share held by other members of the Management Board and the Supervisory Board of TP S.A.

As at 28 July 2010, i.e. the date of submission of the condensed interim report for the 6 months ended 30 June 2010, 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 9 months ended 30 September 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 Group does not publish financial forecasts as defined by the Decree of the Minister of Finance of 19 February 2009.

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

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

- cable television operators, offering also fixed voice and Internet access services;
- 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.

As described in Note 8 to the Telekomunikacja Polska Group Condensed IFRS Quarterly Consolidated Financial Statements for the 3 months ended 30 September 2010, there are some major legal and regulatory proceedings, the outcome of which is uncertain and may influence the Group's results.

VI. Foreign exchange rates

The balance sheet data as at 30 September 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 9 months ended 30 September 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 9 month periods ended 30 September 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:

	30 September 2010	**31 December 2009**	**30 September 2009**
Balance sheet	3.9870 PLN	4.1082 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.0027 PLN	Not applicable	4.3993 PLN

TELEKOMUNIKACJA POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2010

Contents

CONSOLIDATED INCOME STATEMENT

(Amounts in PLN millions, except for share data)

	3 months ended 30 September 2010 (unaudited)	9 months ended 30 September 2010 (unaudited)	3 months ended 30 September 2009 (see Note 2, unaudited)	9 months ended 30 September 2009 (see Note 2, unaudited)
Revenue	**3,898**	**11,758**	**4,058**	**12,555**
External purchases	(1,754)	(5,278)	(1,752)	(5,586)
Labour expenses	(522)	(1,680)	(560)	(1,763)
Other operating expense	(183)	(572)	(190)	(520)
Other operating income	41	130	45	115
Gains on disposal of assets	20	34	4	18
Dispute with DPTG (Note 8.b)	(1,061)	(1,061)	-	-
Depreciation and amortization	(941)	(2,847)	(1,048)	(3,161)
Impairment of non-current assets	(1)	(6)	(28)	(18)
Operating income/(loss)	**(503)**	**478**	**529**	**1,640**
Interest income	16	63	7	22
Interest expense and other financial charges	(133)	(359)	(108)	(268)
Foreign exchange gains/(losses)	5	16	5	(38)
Discounting expense	(16)	(61)	(12)	(88)
Finance costs, net	**(128)**	**(341)**	**(108)**	**(372)**
Income tax (Note 9)	(89)	(247)	(94)	(237)
Consolidated net income/(loss)	**(720)**	**(110)**	**327**	**1,031**
Net income/(loss) attributable to owners of TP S.A.	(720)	(111)	327	1,030
Net income attributable to non-controlling interests	-	1	-	1
Earnings/(loss) per share (in PLN) (basic and diluted)	**(0.54)**	**(0.08)**	**0.24**	**0.77**
Weighted average number of shares (in millions) (basic and diluted)	1,336	1,336	1,336	1,336

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in PLN millions)

	3 months ended 30 September 2010 (unaudited)	9 months ended 30 September 2010 (unaudited)	3 months ended 30 September 2009 (see Note 2, unaudited)	9 months ended 30 September 2009 (see Note 2, unaudited)
Consolidated net income/(loss)	**(720)**	**(110)**	**327**	**1,031**
Gains/(losses) on cash flow hedges	(26)	(13)	3	43
Actuarial gains/(losses) on post-employment benefits	(20)	(21)	-	6
Income tax relating to components of other comprehensive income	7	5	-	(9)
Translation adjustment	(2)	-	(2)	1
Other comprehensive income/(loss), net of tax	**(41)**	**(29)**	**1**	**41**
Total comprehensive income/(loss)	**(761)**	**(139)**	**328**	**1,072**
Total comprehensive income/(loss) attributable to owners of TP S.A.	(761)	(140)	328	1,071
Total comprehensive income attributable to non-controlling interests	-	1	-	1

CONSOLIDATED BALANCE SHEET

(Amounts in PLN millions)

	At 30 September 2010 *(unaudited)*	***At 31 December 2009*** *(see Note 2, audited)*
ASSETS		
Goodwill	4,016	4,016
Other intangible assets	2,721	2,767
Property, plant and equipment	16,203	17,743
Investments in associates	3	3
Financial assets available for sale	4	4
Loans and receivables excluding trade receivables	11	11
Financial assets at fair value through profit or loss	47	62
Hedging derivatives	49	55
Deferred tax assets	499	515
Total non-current assets	**23,553**	**25,176**
Inventories	203	229
Trade receivables	1,517	1,475
Loans and receivables excluding trade receivables	22	13
Financial assets at fair value through profit or loss	34	9
Hedging derivatives	3	2
Income tax assets	9	24
Other assets	167	119
Prepaid expenses	121	100
Cash and cash equivalents	2,089	2,218
Total current assets	**4,165**	**4,189**
TOTAL ASSETS	**27,718**	**29,365**
EQUITY AND LIABILITIES		
Share capital	4,007	4,007
Share premium	832	832
Other reserves	27	50
Translation adjustment	(6)	(6)
Retained earnings	9,542	11,656
Equity attributable to owners of TP S.A.	**14,402**	**16,539**
Non-controlling interests	14	14
Total equity	**14,416**	**16,553**
Financial liabilities at amortised cost excluding trade payables	4,603	6,033
Financial liabilities at fair value through profit or loss	81	61
Hedging derivatives	177	148
Trade payables	745	790
Employee benefits	330	283
Provisions	195	215
Deferred tax liabilities	10	7
Deferred income	73	53
Total non-current liabilities	**6,214**	**7,590**
Financial liabilities at amortised cost excluding trade payables	1,493	375
Financial liabilities at fair value through profit or loss	54	89
Hedging derivatives	44	2
Trade payables	2,372	2,477
Employee benefits	254	302
Provisions	2,155	1,208
Income tax payable	3	2
Other liabilities	176	184
Deferred income	537	583
Total current liabilities	**7,088**	**5,222**
TOTAL EQUITY AND LIABILITIES	**27,718**	**29,365**

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	Actuarial gains/(losses) on post-employment benefits	Deferred taxes	Share-based payments					
Balance at 1 January 2009 *(audited)*	**1 335 649 021**	**4,106**	**832**	**(704)**	**(30)**	**-**	**6**	**32**	**(8)**	**12,983**	**17,217**	**13**	**17,230**
Effect of change in accounting policy for post-employment benefits *(see Note 2)*		-	-	-	-	(36)	6	-	-	-	(30)	-	(30)
Balance at 1 January 2009 after change in accounting policy *(audited)*	**1 335 649 021**	**4,106**	**832**	**(704)**	**(30)**	**(36)**	**12**	**32**	**(8)**	**12,983**	**17,187**	**13**	**17,200**
Total comprehensive income for the 9 months ended 30 September 2009		-	-	-	43	6	(9)	-	1	1,030	1,071	1	1,072
Share-based payments		-	-	-	-	-	-	23	-	-	23	-	23
Cancellation of treasury shares	-	(99)	-	704	-	-	-	-	-	(605)	-	-	-
Dividends		-	-	-	-	-	-	-	-	(2,003)	(2,003)	(1)	(2,004)
Balance at 30 September 2009 *(unaudited)*	**1 335 649 021**	**4,007**	**832**	**-**	**13**	**(30)**	**3**	**55**	**(7)**	**11,405**	**16,278**	**13**	**16,291**
Balance at 1 January 2010 *(audited)*	**1 335 649 021**	**4,007**	**832**	**-**	**20**	**-**	**(4)**	**75**	**(6)**	**11,655**	**16,579**	**14**	**16,593**
Effect of change in accounting policy for post-employment benefits *(see Note 2)*		-	-	-	-	(50)	9	-	-	1	(40)	-	(40)
Balance at 1 January 2010 after change in accounting policy *(audited)*	**1 335 649 021**	**4,007**	**832**	**-**	**20**	**(50)**	**5**	**75**	**(6)**	**11,656**	**16,539**	**14**	**16,553**
Total comprehensive loss for the 9 months ended 30 September 2010		-	-	-	(13)	(21)	5	-	-	(111)	(140)	1	(139)
Share-based payments		-	-	-	-	-	-	6	-	-	6	-	6
Dividends		-	-	-	-	-	-	-	-	(2,003)	(2,003)	(1)	(2,004)
Balance at 30 September 2010 *(unaudited)*	**1 335 649 021**	**4,007**	**832**	**-**	**7**	**(71)**	**10**	**81**	**(6)**	**9,542**	**14,402**	**14**	**14,416**

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in PLN millions)

	3 months ended 30 September 2010	*9 months ended 30 September 2010*	*3 months ended 30 September 2009*	*9 months ended 30 September 2009*
	(unaudited)	*(unaudited)*	*(see Note 2, unaudited)*	*(see Note 2, unaudited)*
OPERATING ACTIVITIES				
Consolidated net income/(loss)	(720)	(110)	327	1,031
Adjustments to reconcile net income/(loss) to funds generated from operations				
Depreciation and amortization	941	2,847	1,048	3,161
Impairment of non-current assets	1	6	28	18
Gains on disposal of assets	(20)	(34)	(4)	(18)
Change in other provisions	1,081	1,086	(64)	(122)
Income tax	89	247	94	237
Finance costs, net excluding realised exchange rate effect on cash and cash equivalents	135	361	77	379
Operational foreign exchange and derivatives (gains)/losses, net	(1)	5	(2)	(7)
Share-based payments	2	6	8	23
Change in working capital (trade)				
Decrease/(increase) in inventories	(11)	26	74	34
Decrease/(increase) in trade receivables	24	(185)	122	233
Increase/(decrease) in trade payables	62	13	(389)	(669)
Change in working capital (non-trade)				
Decrease/(increase) in prepaid expenses and other receivables	(18)	(56)	51	9
Increase/(decrease) in accrued expenses, other payables and deferred income	(81)	(64)	27	45
Interest received	16	63	7	22
Interest and interest rate effect on derivatives paid, net	(143)	(487)	(154)	(348)
Exchange rate effect on derivatives, net	3	(51)	(62)	135
Income tax paid	(82)	(206)	(112)	(207)
Net cash provided by operating activities	**1,278**	**3,467**	**1,076**	**3,956**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(597)	(1,312)	(278)	(1,183)
Increase/(decrease) in amounts due to fixed assets suppliers	153	(146)	(212)	(705)
Proceeds from sale of property, plant and equipment and intangible assets	25	51	3	7
Proceeds from sale of subsidiaries, net of cash	-	-	-	16
Cash paid for acquisition of subsidiaries, net of cash	-	-	-	(25)
Decrease/(increase) in marketable securities and other financial assets	1	(6)	(6)	1
Exchange rate effect on derivatives, net	(6)	(18)	(17)	(6)
Net cash used in investing activities	**(424)**	**(1,431)**	**(510)**	**(1,895)**
FINANCING ACTIVITIES				
Issuance of bonds	-	-	902	3,101
Repayment of long-term debt	(4)	(120)	(804)	(1,825)
Decrease in bank overdrafts and other short-term borrowings	-	(1)	(1)	(1,801)
Purchase of treasury shares including transaction cost	-	-	-	(4)
Dividends paid	(2,004)	(2,004)	(2,004)	(2,004)
Exchange rate effect on derivatives, net	27	(40)	(34)	(16)
Net cash used in financing activities	**(1,981)**	**(2,165)**	**(1,941)**	**(2,549)**
Net change in cash and cash equivalents	(1,127)	(129)	(1,375)	(488)
Effect of changes in exchange rates on cash and cash equivalents	(2)	-	(1)	(1)
Cash and cash equivalents at the beginning of the period	3,218	2,218	2,527	1,640
Cash and cash equivalents at the end of the period	**2,089**	**2,089**	**1,151**	**1,151**

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:

(in PLN millions)	Fixed line telecommunications	Mobile telecommunications	Eliminations and unallocated items	Consolidated
	9 months ended 30 September 2010			
Revenue:	6,817	5,709	(768)	11,758
External	6,260	5,498	-	11,758
Inter-segment	557	211	(768)	-
EBITDA before dispute with DPTG	2,710	1,682	-	4,392
EBITDA	1,649	1,682	-	3,331
EBIT	(230)	708	-	478
Capital expenditures:	1,000	315	-	1,315
– financed through own resources	997	315	-	1,312
– financed through finance leases	3	-	-	3
	9 months ended 30 September 2009 *(see Note 2)*			
Revenue:	7,486	5,863	(794)	12,555
External	6,929	5,626	-	12,555
Inter-segment	557	237	(794)	-
EBITDA	3,175	1,644	-	4,819
EBIT	1,081	559	-	1,640
Capital expenditures:	765	436	-	1,201
– financed through own resources	747	436	-	1,183
– financed through finance leases	18	-	-	18

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

<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 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 26 October 2010.

<u>Adoption of standards, amendments to standards and interpretations which are compulsory as at 1 January 2010</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, 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 the 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 to 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"), an 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 an increase or a 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 the 9 months ended 30 September 2010.

<u>Standards and interpretations issued but not yet adopted</u>

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,
- 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,
- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement" applicable for financial years beginning on or after 1 January 2011,
- Improvements to International Financial Reporting Standards – a collection of amendments to IFRSs, the amendments are effective, in most cases, for annual periods beginning on or after 1 January 2011. 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.

<u>Change in accounting policy for post-employment benefits</u>

In accordance with IAS 19 "Employee Benefits", actuarial gains and losses are recognized:

- in profit or loss either for their total amount or up to a portion using the corridor method which was the method applied by the Group until December 31, 2009,
- or in the other comprehensive income for their total amount.

The exposure draft published by the International Accounting Standards Board in April 2010 relating to the amendment to IAS 19 confirms the removal of the corridor method and proposes the immediate recognition of actuarial gains and losses in other comprehensive income, with no recycling to the income statement.
Following this publication, the Group has decided to account for defined benefit plans actuarial gains and losses in the other comprehensive income from January 1, 2010. This change in accounting policy results in the financial statements providing more relevant and comparative information as this policy is generally applied in telecommunications industry.

Change in accounting policy for post-employment benefits affected the Group’s financial statements as follows:

(in PLN millions)	**Data previously reported**	**Impact of changes in the accounting policies**	**Data currently reported**	**Data previously reported**	**Impact of changes in the accounting policies**	**Data currently reported**
	3 months ended 30 September 2009			*9 months ended 30 September 2009*		
Consolidated income statement						
Labour expenses	(560)	-	(560)	(1,764)	1	(1,763)
Operating income	529	-	529	1,639	1	1,640
Consolidated net income	327	-	327	1,030	1	1,031
Earnings per share (in PLN) (basic and diluted)	0.24	-	0.24	0.77	-	0.77
Consolidated statement of comprehensive income						
Consolidated net income	327	-	327	1,030	1	1,031
Actuarial gains on post-employment benefits	-	-	-	-	6	6
Income tax relating to components of other comprehensive income	-	-	-	(8)	(1)	(9)
Total comprehensive income	328	-	328	1,066	6	1,072
Consolidated statement of cash flows						
Consolidated net income	327	-	327	1,030	1	1,031
Change in other provisions	(64)	-	(64)	(121)	(1)	(122)
Net cash provided by operating activities	1,076	-	1,076	3,956	-	3,956

(in PLN millions)	**Data previously reported**	**Impact of changes in the accounting policies**	**Data currently reported**
		at 31 December 2009	
Consolidated balance sheet			
Assets			
Deferred tax assets	506	9	515
Total non-current assets	25,167	9	25,176
Total assets	29,356	9	29,365
Equity			
Other reserves	91	(41)	50
Retained earnings	11,655	1	11,656
Total equity	16,593	(40)	16,553
Non-current liabilities			
Employee benefits	234	49	283
Total non-current liabilities	7,541	49	7,590

<u>Changes in presentation of the financial statements</u>

Dispute with DPTG

Following the partial award in the arbitration proceedings between TP S.A. and DPTG (see Note 8.b), the Group decided to disclose separately the impact of the dispute on the Group's financial performance because it does not relate to current operations. Previously, changes in the DPTG provision were presented as other operating expense in the consolidated income statement.

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 (gains) / losses, net (for the 9 months ended 30 September 2009 amounting to PLN 295 million, PLN (65) million and PLN 142 million, respectively and for the 3 months ended 30 September 2009 amounting to PLN 81 million, PLN (357) million and PLN 351 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 the changes described in Note 2, the accounting policies and methods of computation used in the preparation of the Quarterly Consolidated Financial Statements are consistent with those described in the audited 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 cyclicality 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 9 months ended 30 September 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 30 September 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. 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.

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 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 30 September 2010 the back-up line remained undrawn.

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

On 23 April 2010, the General Shareholders' Meeting of TP S.A. adopted a resolution on the payment of an ordinary dividend of PLN 1.50 per share, i.e. PLN 2,003 million. The payment date was 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

Proceedings by UKE related to broadband access
On 25 September 2006, UKE imposed a fine of PLN 100 million on TP S.A. for the infringement of the obligation to determine the price of the services on the basis of the cost of their provision and on clear, objective and non-discriminatory criteria, as a result of not implementing the offer to sell Neostrada (Internet services) separately from the fixed line subscription (allocating costs of local loop entirely to fixed line subscription). TP S.A. did not pay the fine and 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 could, 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 demonstrate that TP S.A. had met the requirements of the Polish Telecommunication Law that the price of services (in particular the additional charge for the maintenance of the local loop paid by the Neostrada customers who do not subscribe for TP S.A.'s traditional fixed-line analogue services on the same local loop) be based on their cost and determined on clear, objective and non-discriminatory criteria. TP S.A. did not pay the fine and, on 7 March 2007, appealed against the decision. SOKiK suspended also this proceeding.

On 6 May 2010 the European Court of Justice passed a judgment in the European Commission proceeding against Poland. The Court ruled that by regulating retail tariffs for broadband access services without carrying out a prior market analysis, Poland has failed to fulfil its obligations under the Universal Service Directive in conjunction with the Framework Directive. SOKiK has not yet resumed any of these two appeal proceedings. TP S.A. believes that UKE has no right to challenge the Neostrada price since it is not defined as a regulated service and that the criteria used for setting Neostrada price were transparent and objective.

Proceedings by UOKiK related to IP traffic
On 20 December 2007, Office of Competition and Consumer Protection ("UOKiK") issued a decision concluding that TP S.A. had engaged in practices restricting competition when it downgraded IP traffic coming from domestic operators' networks to TP S.A.'s network via foreign operators' networks and imposed a fine of PLN 75 million on the Company. At the same time, UOKiK ordered TP S.A. to immediately cease this practice. TP S.A. disagrees with the decision of UOKiK and did not pay the fine. On 2 January 2008, TP S.A. appealed to SOKiK against the decision. The matter is currently being investigated by SOKiK.

Proceedings before the European Commission related to broadband access
In September 2008, the European Commission conducted an inspection at the premises of TP S.A. and PTK-Centertel. The aim of the inspection was to gather evidence of a possible breach by TP S.A. of competition rules on the broadband Internet market. On 17 April 2009, the European Commission notified TP S.A. of initiation of proceedings on the supposed refusal to provide services and non-price discrimination on the Polish wholesale market of broadband access to the Internet. On 1 March 2010, TP S.A. received a Statement of Objections from the European Commission regarding an alleged abuse of dominant position, by refusing to supply access to its wholesale broadband services. The Company responded to the Statement of Objections on 2 June 2010 and an audience before the European Commission took place on 10 September 2010. At this stage, TP S.A. is not in a position to predict the evolution of these proceedings, and the risk related thereto is therefore classified as a contingent liability as defined by IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Under European law, the European 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 General Court (formerly 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.

Proceedings by UOKiK related to mobile television
On 21 September 2010, UOKiK initiated competition proceedings against PTK- Centertel, Polkomtel S.A., Polska Telefonia Cyfrowa Sp. z o.o. and P4 Sp. z o.o. claiming that they concluded an agreement regarding their relations with Info TV FM Sp. z o.o.
Info TV FM Sp. z o.o. is a telecommunications operator working in the field of radio diffusion and providing its services to radio and television broadcasters. Mobile TV Sp. z o.o. is a company in which the four above companies involved in the proceedings are shareholders. UOKiK gave its prior approval to set up Mobile TV Sp. z o.o. Both companies applied to UKE for a license to broadcast in the frequency band designed for the provision of audiovisual media services in DVB-H technology.
In March 2009, Info TV FM Sp. z o.o. was granted permission to use these frequencies. However, none of the four companies decided to introduce mobile television services to its customers.
UOKiK claims that there was an agreement concluded between the four companies involved in the proceedings and it could restrict competition on the domestic wholesale market for mobile television based on DVB-H technology, and, as a result, limit the possibility for consumers to use mobile television.
The Management Board of PTK-Centertel did not agree on common actions with the other companies aimed at restricting the introduction of DVB-H service based on the offer of Info TV FM Sp. z o.o. It decided not to introduce mobile television services due to the market situation and for commercial reasons.
PTK-Centertel provided explanations to UOKiK on 5 October 2010. At this stage, the Group is not in a position to predict the evolution of these proceedings, and the risk related thereto is therefore classified as a contingent liability as defined by IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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

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 and has been consistently referred to in the consolidated financial statements of the Group since 2001 together with the development of the case over the years.

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

The partial award states that the contract is a sale contract but nevertheless awards DPTG an amount as if the contract was a joint-venture. TP S.A., its legal counsel and independent experts all believe that the amount awarded is many times higher than DPTG's rights. Given the amounts awarded for Phase I, and potentially for Phase II, and the lack of consistency of the award, it is TP S.A's position that this award is contrary to Public Policy.

Since 2001, TP S.A. has made what it considered to be an appropriate provision for this matter, as supported by outside counsel and other professional advisors. TP S.A.'s Management Board has conducted the necessary reassessment of the provision in consideration both of this partial award and of the potential award to DPTG for the period from July 2004 to January 2009 (Phase II). The provision has been increased from approximately DKK 2,050 million (an equivalent of EUR 275 million or PLN 1,100 million) to approximately DKK 4,040 million (an equivalent of EUR 542 million or PLN 2,161 million). The revised amount is made up of the sum of the Arbitration Tribunal's award for Phase I (including interest) and of the result of the linear projection of the DKK 2,001 million awarded in the partial decision of the Tribunal for the 125 months of Phase I onto the 55 months of Phase II, amounting to DKK 880 million (EUR 118 million) in principal and approximately DKK 216 million (EUR 29 million) in interest. The Management will reassess the level of the provision on a regular basis.

The Company's Management has been obliged to adjust the level of provision for this matter by virtue of the fact that an arbitral award has been rendered. Nevertheless, it strongly disputes both the contractual basis of the claim and the amounts awarded. Therefore, the amount of the provision should in no way be viewed as an indication by TP S.A. of the proper outcome of the dispute. On the contrary, and as mentioned above, it is the strongly held opinion of TP S.A.'s Management and its counsel that the award is in clear violation of the basic rules of Public Policy. TP S.A.'s Management, acting in the best interests of the Company and its shareholders, will use all reasonable legal actions to resist the award issued by the Arbitration Tribunal.

When issuing the award for Phase I the Tribunal stated that it should be paid by 17 September 2010. As of the date of issuance of these financial statements, both parties have submitted to the Tribunal minor corrections to the award which are being processed.

Provision/liabilities related to DPTG

(in PLN millions)	*At 1 January 2010*	*Increase*	*FX effect*	*At 30 September 2010*
Provision	865	1,061	(22)	1,904
Trade payables	265	-	(8)	257
Total provision/liabilities related to DPTG	**1,130**	**1,061**	**(30)**	**2,161**

9. Income tax

(in PLN millions)	*3 months*	*9 months*
	ended 30 September 2010	
Consolidated net income before tax, DPTG dispute excluded	**430**	**1,198**
Theoretical tax, 19% tax rate	(82)	(228)
Reassessment of deferred tax asset on dispute with DPTG	(31)	(31)
Other	24	12
Total income tax	**(89)**	**(247)**

Due to uncertainty related to tax relief on deductible temporary differences on DPTG provision/liabilities resulting from the statute of limitation, the deferred tax asset has been reassessed and decreased by PLN 31 million as at 30 September 2010.

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

As at 30 September 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.

(in PLN millions)	*3 months*	*9 months*	*3 months*	*9 months*
	ended 30 September 2010		*ended 30 September 2009*	
Sales of goods and services to:	**51**	**146**	**47**	**145**
- France Telecom S.A. (parent)	36	103	29	94
- France Telecom (group)	15	43	18	51
Purchases of goods (including inventories, tangible and intangible assets) and services from:	**78**	**238**	**73**	**235**
- France Telecom S.A. (parent)	28	90	14	70
- France Telecom (group)	50	148	59	165
- including Orange Brand Services Limited (brand licence agreement)	*32*	*90*	*30*	*90*
Dividends paid:	**997**	**997**	**997**	**997**
- France Telecom S.A. (parent)	997	997	997	997
- France Telecom (group)	-	-	-	-

(in PLN millions)	*At 30 September 2010*	*At 31 December 2009*
Receivables from:	**90**	**87**
- France Telecom S.A. (parent)	58	59
- France Telecom (group)	32	28
Payables to:	**209**	**230**
- France Telecom S.A. (parent)	124	124
- France Telecom (group)	85	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 9 months ended 30 September 2010 and 2009 amounted to PLN 8.7 million and PLN 12.1 million, respectively. In addition, PLN 2.2 million of a termination benefit accrued in 2009 was paid during the 9 months ended 30 September 2010. In the 9 months ended 30 September 2010 and 2009, the amount of accrued costs for bonuses for the Company's Management Board amounted to PLN 0.7 million and PLN 2.7 million, respectively.

In addition to the amounts presented above, during the 9 months ended 30 September 2010 the estimated cost of share-based payments under TP S.A.'s incentive programme allocated to the Company's Management Board amounted to PLN 0.5 million. During the 9 months ended 30 September 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 0.7 million. In the 9 months ended 30 September 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.

Mr Vivek Badrinath resigned from the Supervisory Board of TP S.A. with effect on 22 April 2010.
On 23 April 2010, the Annual General Meeting of Shareholders appointed Mr Thierry Bonhomme and Mr Olaf Swantee to the Supervisory Board of TP S.A. and renewed mandates of the following persons, whose term of office expired as of the day of this General Meeting: Mr Jacques Champeaux, Mr Ronald Freeman and Mr Mirosław Gronicki. On the same day, the term of office in the Supervisory Board of TP S.A. expired for Mr Antonio Anguita.

11. Subsequent events

On 22 October 2010, TP S.A. concluded a revolving loan agreement with an international syndicate of banks for a total amount of PLN 2 billion. The purpose of the agreement is to refinance the existing credit facility of PLN 2.5 billion, which secures the Group's liquidity. The agreement was signed for a period of five years and expires on 22 October 2015. The loan interest is based on the WIBOR rate 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.

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

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

The ownership structure of the Company's share capital, based on the best information available to the Company as at 27 October 2010, i.e. the date of submission of the quarterly report for the third 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%
Capital Group International, Inc. (1)	67,546,647	67,546,647	5.06%	202,639,941	5.06%
Other shareholders	603,102,375	603,102,375	45.15%	1,809,307,125	45.15%
TOTAL	**1,335,649,021**	**1,335,649,021**	**100.00%**	**4,006,947,063**	**100.00%**

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

The ownership structure of the Company's share capital, based on the best information available to the Company as at 28 July 2010, i.e. the date of submission of the condensed interim report for the 6 months ended 30 June 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 (1)	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%
TOTAL	**1,335,649,021**	**1,335,649,021**	**100.00%**	**4,006,947,063**	**100.00%**

(1) 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 State Treasury did not register its shares at the General Meeting of Shareholders of TP S.A. which was held on 23 April 2010. On 5 August 2010, the State Treasury announced that it sold 4.15% shares of TP S.A. through the Warsaw Stock Exchange in the period from 14 January to 5 August 2010.

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

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

The number of bonds with a pre-emption right held by members of the Management Board of the Company at the dates of submission of the quarterly report for the third quarter of 2010 and the condensed interim report for the 6 months ended 30 June 2010 is as follows:

	27 October 2010	28 July 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 27 October 2010 and 28 July 2010 held no bond with a pre-emption right.

As at 27 October 2010, i.e. the date of submission of the quarterly report for the third quarter of 2010, Maciej Witucki, President of the Management Board, held 4.000 TP S.A. shares and there was no TP S.A. share held by other members of the Management Board and the Supervisory Board of TP S.A.

As at 28 July 2010, i.e. the date of submission of the condensed interim report for the 6 months ended 30 June 2010, 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 9 months ended 30 September 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., may affect its results over at least the next quarter

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

- cable television operators, offering also fixed voice and Internet access services;
- 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.

As described in Note 8 to the Telekomunikacja Polska S.A. Condensed IFRS Quarterly Separate Financial Statements for the 3 months ended 30 September 2010, there are some major legal and regulatory proceedings, the outcome of which is uncertain and may influence the Company's results.

VI. Foreign exchange rates

The balance sheet data as at 30 September 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 9 months ended 30 September 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 9 month periods ended 30 September 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:

	30 September 2010	**31 December 2009**	**30 September 2009**
Balance sheet	3.9870 PLN	4.1082 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.0027 PLN	Not applicable	4.3993 PLN

TELEKOMUNIKACJA POLSKA S.A.

CONDENSED IFRS QUARTERLY SEPARATE FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2010

Contents

INCOME STATEMENT

(Amounts in PLN millions, except for share data)

	3 months ended 30 September 2010 (unaudited)	*9 months ended 30 September 2010 (unaudited)*	*3 months ended 30 September 2009 (see Note 2, unaudited)*	*9 months ended 30 September 2009 (see Note 2, unaudited*
Revenue	**2,064**	**6,377**	**2,262**	**7,061**
External purchases	(798)	(2,467)	(788)	(2,555)
Labour expenses	(346)	(1,228)	(431)	(1,365)
Other operating expense	(108)	(363)	(111)	(320)
Other operating income	60	180	60	160
Gains on disposal of assets	20	33	1	18
Dispute with DPTG (Note 8.b)	(1,061)	(1,061)	-	-
Depreciation and amortization	(595)	(1,815)	(681)	(2,023)
(Impairment)/reversal of impairment of non-current assets	(1)	(6)	(8)	2
Operating income/(loss)	**(765)**	**(350)**	**304**	**978**
Dividend income	21	1,712	-	2,897
Interest income	96	303	91	244
Interest expense and other financial charges	(227)	(639)	(202)	(545)
Foreign exchange losses	(35)	(15)	(54)	(89)
Discounting expense	(6)	(23)	(8)	(26)
Finance income/(costs), net	**(151)**	**1,338**	**(173)**	**2,481**
Income tax (Note 9)	(58)	(108)	(34)	(103)
Net income/(loss)	**(974)**	**880**	**97**	**3,356**
Earnings/(loss) per share (in PLN) (basic and diluted)	**(0.73)**	**0.66**	**0.07**	**2.51**
Weighted average number of shares (in millions) (basic and diluted)	1,336	1,336	1,336	1,336

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in PLN millions)

	3 months ended 30 September 2010 (unaudited)	*9 months ended 30 September 2010 (unaudited)*	*3 months ended 30 September 2009 (see Note 2, unaudited*	*9 months ended 30 September 2009 (see Note 2, unaudited*
Net income/(loss)	**(974)**	**880**	**97**	**3,356**
Gains/(losses) on cash flow hedges	(14)	(11)	3	33
Actuarial gains/(losses) on post-employment benefits	(11)	(12)	-	6
Income tax relating to components of other comprehensive income	5	5	-	(7)
Other comprehensive income/(loss), net of tax	**(20)**	**(18)**	**3**	**32**
Total comprehensive income/(loss)	**(994)**	**862**	**100**	**3,388**

BALANCE SHEET

(Amounts in PLN millions)

	At 30 September 2010 (unaudited)	*At 31 December 2009 (see Note 2, audited)*
ASSETS		
Intangible assets	1,098	1,055
Property, plant and equipment	12,430	13,421
Investments in subsidiaries	7,651	7,651
Financial assets available for sale	4	4
Loans and receivables excluding trade receivables	3,217	3,422
Financial assets at fair value through profit or loss	53	75
Hedging derivatives	42	41
Deferred tax assets	109	237
Total non-current assets	**24,604**	**25,906**
Inventories	39	42
Trade receivables	811	697
Loans and receivables excluding trade receivables	295	276
Financial assets at fair value through profit or loss	27	2
Hedging derivatives	2	1
Income tax assets	9	17
Other assets	926	232
Prepaid expenses	52	34
Cash and cash equivalents	1,981	1,996
Total current assets	**4,142**	**3,297**
TOTAL ASSETS	**28,746**	**29,203**
EQUITY AND LIABILITIES		
Share capital	4,007	4,007
Share premium	832	832
Other reserves	18	31
Retained earnings	7,903	9,026
Total equity	**12,760**	**13,896**
Financial liabilities at amortised cost excluding trade payables	7,780	9,429
Financial liabilities at fair value through profit or loss	81	61
Hedging derivatives	177	148
Employee benefits	263	267
Provisions	136	148
Deferred income	69	46
Total non-current liabilities	**8,506**	**10,099**
Financial liabilities at amortised cost excluding trade payables	3,414	2,109
Financial liabilities at fair value through profit or loss	55	90
Hedging derivatives	44	1
Trade payables	1,470	1,371
Employee benefits	166	213
Provisions	2,109	1,164
Other liabilities	151	194
Deferred income	71	66
Total current liabilities	**7,480**	**5,208**
TOTAL EQUITY AND LIABILITIES	**28,746**	**29,203**

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	Actuarial gains/(losses) on post-employment benefits	Deferred taxes	Share-based payments		
Balance at 1 January 2009 *(audited)*	**1 335 649 021**	**4,106**	**832**	**(704)**	**(28)**	**-**	**5**	**27**	**8,277**	**12,515**
Effect of change in accounting policy for post-employment benefits *(see Note 2)*		-	-	-	-	(36)	6	-	-	(30)
Balance at 1 January 2009 after change in accounting policy *(audited)*	**1 335 649 021**	**4,106**	**832**	**(704)**	**(28)**	**(36)**	**11**	**27**	**8,277**	**12,485**
Total comprehensive income for the 9 months ended 30 September 2009		-	-	-	33	6	(7)	-	3,356	3,388
Share-based payments		-	-	-	-	-	-	19	-	19
Cancellation of treasury shares	-	(99)	-	704	-	-	-	-	(605)	-
Dividends		-	-	-	-	-	-	-	(2,003)	(2,003)
Balance at 30 September 2009 *(unaudited)*	**1 335 649 021**	**4,007**	**832**	**-**	**5**	**(30)**	**4**	**46**	**9,025**	**13,889**
Balance at 1 January 2010 *(audited)*	**1 335 649 021**	**4,007**	**832**	**-**	**11**	**-**	**(2)**	**64**	**9,025**	**13,937**
Effect of change in accounting policy for post-employment benefits *(see Note 2)*		-	-	-	-	(51)	9	-	1	(41)
Balance at 1 January 2010 after change in accounting policy *(audited)*	**1 335 649 021**	**4,007**	**832**	**-**	**11**	**(51)**	**7**	**64**	**9,026**	**13,896**
Total comprehensive income for the 9 months ended 30 September 2010		-	-	-	(11)	(12)	5	-	880	862
Share-based payments		-	-	-	-	-	-	5	-	5
Dividends		-	-	-	-	-	-	-	(2,003)	(2,003)
Balance at 30 September 2010 *(unaudited)*	**1 335 649 021**	**4,007**	**832**	**-**	**-**	**(63)**	**12**	**69**	**7,903**	**12,760**

STATEMENT OF CASH FLOWS

(Amounts in PLN millions)

	3 months ended 30 September 2010 (unaudited)	9 months ended 30 September 2010 (unaudited)	3 months ended 30 September 2009 (see Note 2, unaudited)	9 months ended 30 September 2009 (see Note 2, unaudited)
OPERATING ACTIVITIES				
Net income/(loss)	(974)	880	97	3,356
Adjustments to reconcile net income/(loss) to funds generated from operations				
Depreciation and amortization	595	1,815	681	2,023
Impairment/(reversal) of impairment of non-current assets	1	6	8	(2)
Gains on disposal of assets	(20)	(33)	(1)	(18)
Change in other provisions	974	913	(67)	(146)
Income tax	58	108	34	103
Finance (income)/costs, net excluding realised exchange rate effect on cash and cash equivalents	153	(1,333)	137	(2,488)
Operational foreign exchange and derivatives gains, net	(2)	(2)	-	(14)
Share-based payments	1	5	7	18
Change in working capital (trade)				
Decrease/(increase) in inventories	(3)	3	4	(14)
Decrease/(increase) in trade receivables	9	(127)	96	207
Increase/(decrease) in trade payables	(21)	89	(132)	(230)
Change in working capital (non-trade)				
Decrease/(increase) in prepaid expenses and other receivables	(20)	(40)	15	(22)
Increase/(decrease) in accrued expenses, other payables and deferred income	(48)	(3)	(18)	-
Dividends received	33	912	-	1,897
Interest received	16	61	6	16
Interest and interest rates effect on derivatives paid, net	(132)	(483)	(133)	(379)
Exchange rate effect on derivatives, net	4	(49)	(61)	135
Income tax paid	-	(40)	(25)	(12)
Net cash provided by operating activities	**624**	**2,682**	**648**	**4,430**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(401)	(910)	(176)	(686)
Increase/(decrease) in amounts due to fixed assets suppliers	112	20	(131)	(462)
Proceeds from sale of property, plant and equipment and intangible assets	26	50	3	7
Cash paid for investment securities	-	-	(197)	(233)
Proceeds from sale of investments in subsidiaries	-	177	-	19
Decrease/(increase) in marketable securities and other financial assets	2	7	(10)	-
Exchange rate effect on derivatives, net	2	(29)	(37)	(45)
Net cash used in investing activities	**(259)**	**(685)**	**(548)**	**(1,400)**
FINANCING ACTIVITIES				
Issuance of bonds	-	-	903	3,102
Repayment of long-term debt	(4)	(120)	(803)	(1,824)
Increase/(decrease) in bank overdrafts and other short-term borrowings	496	151	391	(2,502)
Purchase of treasury shares including transaction cost	-	-	-	(4)
Dividends paid	(2,003)	(2,003)	(2,003)	(2,003)
Exchange rate effect on derivatives, net	27	(40)	(34)	(16)
Net cash used in financing activities	**(1,484)**	**(2,012)**	**(1,546)**	**(3,247)**
Net change in cash and cash equivalents	(1,119)	(15)	(1,446)	(217)
Effect of changes in exchange rates on cash and cash equivalents	-	-	1	(1)
Cash and cash equivalents at the beginning of the period	3,100	1,996	2,278	1,051
Cash and cash equivalents at the end of the period	**1,981**	**1,981**	**833**	**833**

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 26 October 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 the 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,
- 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,
- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement" applicable for financial years beginning on or after 1 January 2011,
- Improvements to International Financial Reporting Standards – a collection of amendments to IFRSs, the amendments are effective, in most cases, for annual periods beginning on or after 1 January 2011. 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.

<u>Change in accounting policy for post-employment benefits</u>

In accordance with IAS 19 "Employee Benefits", actuarial gains and losses are recognized:
- in profit or loss either for their total amount or up to a portion using the corridor method which was the method applied by the Company until December 31, 2009,
- or in the other comprehensive income for their total amount.

The exposure draft published by the International Accounting Standards Board in April 2010 relating to the amendment to IAS 19 confirms the removal of the corridor method and proposes the immediate recognition of actuarial gains and losses in other comprehensive income, with no recycling to the income statement.
Following this publication, the Company has decided to account for defined benefit plans actuarial gains and losses in the other comprehensive income from January 1, 2010. This change in accounting policy results in the financial statements providing more relevant and comparative information as this policy is generally applied in telecommunications industry.

Change in accounting policy for post-employment benefits affected the Company's financial statements as follows:

(in PLN millions)	**Data previously reported**	**Impact of changes in the accounting policies**	**Data currently reported**	**Data previously reported**	**Impact of changes in the accounting policies**	**Data currently reported**
	3 months ended 30 September 2009			*9 months ended 30 September 2009*		
Income statement						
Labour expenses	(431)	-	(431)	(1,366)	1	(1,365)
Operating income	304	-	304	977	1	978
Net income	97	-	97	3,355	1	3,356
Earnings per share (in PLN) (basic and diluted)	0.07	-	0.07	2.51	-	2.51
Statement of comprehensive income						
Net income	97	-	97	3,355	1	3,356
Actuarial gains on post-employment benefits	-	-	-	-	6	6
Income tax relating to components of other comprehensive income	-	-	-	(6)	(1)	(7)
Total comprehensive income	100	-	100	3,382	6	3,388
Statement of cash flows						
Net income	97	-	97	3,355	1	3,356
Change in other provisions	(67)	-	(67)	(145)	(1)	(146)
Net cash provided by operating activities	648	-	648	4,430	-	4,430

(in PLN millions)	**Data previously reported**	**Impact of changes in the accounting policies**	**Data currently reported**
		at 31 December 2009	
Balance sheet			
Assets			
Deferred tax assets	228	9	237
Total non-current assets	25,897	9	25,906
Total assets	29,194	9	29,203
Equity			
Other reserves	73	(42)	31
Retained earnings	9,025	1	9,026
Total equity	13,937	(41)	13,896
Non-current liabilities			
Employee benefits	217	50	267
Total non-current liabilities	10,049	50	10,099

Changes in presentation of the financial statements

Dispute with DPTG

Following the partial award in the arbitration proceedings between TP S.A. and DPTG (see Note 8.b), the Company decided to disclose separately the impact of the dispute on the Company's financial performance because it does not relate to current operations. Previously, changes in the DPTG provision were presented as other operating expense in the income statement.

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 (gains) / losses, net (for the 9 months ended 30 September 2009 amounting to PLN (2,583) million, PLN (79) million and PLN 160 million, respectively and for the 3 months ended 30 September 2009 amounting to PLN 99 million, PLN (322) million and PLN 360 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 the 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 Separate 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 cyclicality of interim operations

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

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

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

The list of subsidiaries of the Company as at and for the 9 months ended 30 September 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 30 September 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. 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.

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

6. Loan agreements and debt securities

<u>Loan agreements</u>

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 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 30 September 2010 the back-up line remained undrawn.

<u>Issuance of TP S.A. short term bonds under Bond Issuance Programme</u>

In the 9 months ended 30 September 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 9 months ended 30 September 2010, the net cash flows on the bonds amounted to PLN 134 million. As a result of the issues and redemptions, the aggregate par value of the outstanding bonds issued under the programme amounts to PLN 1,622 million as at 30 September 2010.

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

On 23 April 2010, the General Shareholders' Meeting of TP S.A. adopted a resolution on the payment of an ordinary dividend of PLN 1.50 per share, i.e. PLN 2,003 million. The payment date was 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

Proceedings by UKE related to broadband access
On 25 September 2006, UKE imposed a fine of PLN 100 million on TP S.A. for the infringement of the obligation to determine the price of the services on the basis of the cost of their provision and on clear, objective and non-discriminatory criteria, as a result of not implementing the offer to sell Neostrada (Internet services) separately from the fixed line subscription (allocating costs of local loop entirely to fixed line subscription). TP S.A. did not pay the fine and 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 could, 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 demonstrate that TP S.A. had met the requirements of the Polish Telecommunication Law that the price of services (in particular the additional charge for the maintenance of the local loop paid by the Neostrada customers who do not subscribe for TP S.A.'s traditional fixed-line analogue services on the same local loop) be based on their cost and determined on clear, objective and non-discriminatory criteria. TP S.A. did not pay the fine and, on 7 March 2007, appealed against the decision. SOKiK suspended also this proceeding.

On 6 May 2010 the European Court of Justice passed a judgment in the European Commission proceeding against Poland. The Court ruled that by regulating retail tariffs for broadband access services without carrying out a prior market analysis, Poland has failed to fulfil its obligations under the Universal Service Directive in conjunction with the Framework Directive. SOKiK has not yet resumed any of these two appeal proceedings. TP S.A. believes that UKE has no right to challenge the Neostrada price since it is not defined as a regulated service and that the criteria used for setting Neostrada price were transparent and objective.

Proceedings by UOKiK related to IP traffic
On 20 December 2007, Office of Competition and Consumer Protection ("UOKiK") issued a decision concluding that TP S.A. had engaged in practices restricting competition when it downgraded IP traffic coming from domestic operators' networks to TP S.A.'s network via foreign operators' networks and imposed a fine of PLN 75 million on the Company. At the same time, UOKiK ordered TP S.A. to immediately cease this practice. TP S.A. disagrees with the decision of UOKiK and did not pay the fine. On 2 January 2008, TP S.A. appealed to SOKiK against the decision. The matter is currently being investigated by SOKiK.

Proceedings before the European Commission related to broadband access
In September 2008, the European Commission conducted an inspection at the premises of TP S.A. and PTK-Centertel 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. On 17 April 2009, the European Commission notified TP S.A. of initiation of proceedings on the supposed refusal to provide services and non-price discrimination on the Polish wholesale market of broadband access to the Internet. On 1 March 2010, TP S.A. received a Statement of Objections from the European Commission regarding an alleged abuse of dominant position, by refusing to supply access to its wholesale broadband services. The Company responded to the Statement of Objections on 2 June 2010 and an audience before the European Commission took place on 10 September 2010. At this stage, TP S.A. is not in a position to predict the evolution of these proceedings, and the risk related thereto is therefore classified as a contingent liability as defined by IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Under European law, the European 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 General Court (formerly 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 and has been consistently referred to in the separate financial statements of the Company since 2001 together with the development of the case over the years.

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

The partial award states that the contract is a sale contract but nevertheless awards DPTG an amount as if the contract was a joint-venture. TP S.A., its legal counsel and independent experts all believe that the amount awarded is many times higher than DPTG's rights. Given the amounts awarded for Phase I, and potentially for Phase II, and the lack of consistency of the award, it is TP S.A's position that this award is contrary to Public Policy.

Since 2001, TP S.A. has made what it considered to be an appropriate provision for this matter, as supported by outside counsel and other professional advisors. TP S.A.'s Management Board has conducted the necessary reassessment of the provision in consideration both of this partial award and of the potential award to DPTG for the period from July 2004 to January 2009 (Phase II). The provision has been increased from approximately DKK 2,050 million (an equivalent of EUR 275 million or PLN 1,100 million) to approximately DKK 4,040 million (an equivalent of EUR 542 million or PLN 2,161 million). The revised amount is made up of the sum of the Arbitration Tribunal's award for Phase I (including interest) and of the result of the linear projection of the DKK 2,001 million awarded in the partial decision of the Tribunal for the 125 months of Phase I onto the 55 months of Phase II, amounting to DKK 880 million (EUR 118 million) in principal and approximately DKK 216 million (EUR 29 million) in interest. The Management will reassess the level of the provision on a regular basis.

The Company's Management has been obliged to adjust the level of provision for this matter by virtue of the fact that an arbitral award has been rendered. Nevertheless, it strongly disputes both the contractual basis of the claim and the amounts awarded. Therefore, the amount of the provision should in no way be viewed as an indication by TP S.A. of the proper outcome of the dispute. On the contrary, and as mentioned above, it is the strongly held opinion of TP S.A.'s Management and its counsel that the award is in clear violation of the basic rules of Public Policy. TP S.A.'s Management, acting in the best interests of the Company and its shareholders, will use all reasonable legal actions to resist the award issued by the Arbitration Tribunal.

When issuing the award for Phase I the Tribunal stated that it should be paid by 17 September 2010. As of the date of issuance of these financial statements, both parties have submitted to the Tribunal minor corrections to the award which are being processed.

Provision/liabilities related to DPTG

(in PLN millions)	*At 1 January 2010*	*Increase*	*FX effect*	*At 30 September 2010*
Provision	865	1,061	(22)	1,904
Trade payables	265	-	(8)	257
Total provision/liabilities related to DPTG	**1,130**	**1,061**	**(30)**	**2,161**

c. Guarantees

As at 30 September 2010 and 31 December 2009, total guarantees granted by Telekomunikacja Polska S.A. to purchasers of debt securities amounted to PLN 4,060 million and PLN 4,242 million, respectively.

9. Income tax

(in PLN millions)	*3 months ended 30 September 2010*	*9 months ended 30 September 2010*
Net income before tax, DPTG dispute excluded	**145**	**2,049**
Theoretical tax, 19% tax rate	(28)	(389)
Reassessment of deferred tax asset on dispute with DPTG	(31)	(31)
Other, including not taxable dividend income	1	312
Total income tax	**(58)**	**(108)**

Due to uncertainty related to tax relief on deductible temporary differences on DPTG provision/liabilities resulting from the statute of limitation, the deferred tax asset has been reassessed and decreased by PLN 31 million as at 30 September 2010.

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

As at 30 September 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, selling fees, 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, including a dividend declared in the second quarter of 2010 by its wholly-owned subsidiary PTK-Centertel Sp. z o.o. in the amount of PLN 1,600 million, of which PLN 800 million was already distributed and PLN 800 million is to be distributed by 31 October 2010. The financial income also comprises interest on bonds issued by the subsidiaries and interest on loans granted to the 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 the subsidiaries, the aforementioned 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.

(in PLN millions)	*3 months ended 30 September 2010*	*9 months ended 30 September 2010*	*3 months ended 30 September 2009*	*9 months ended 30 September 2009*
Sales of goods and services to:	**261**	**753**	**241**	**724**
TP Group	219	627	204	606
- TP Group (subsidiaries)	219	627	204	606
- TP Group (associates)	-	-	-	-
France Telecom Group	42	126	37	118
- France Telecom S.A. (parent)	31	93	24	79
- France Telecom (group)	11	33	13	39
Purchases of goods (including inventories, tangible and intangible assets) and services from:	**249**	**720**	**183**	**588**
TP Group	216	614	152	474
- TP Group (subsidiaries)	216	614	152	474
- TP Group (associates)	-	-	-	-
France Telecom Group	33	106	31	114
- France Telecom S.A. (parent)	21	67	11	66
- France Telecom (group)	12	39	20	48
Financial income:	**102**	**1,955**	**86**	**3,126**
TP Group	102	1,955	86	3,126
- TP Group (subsidiaries)	102	1,955	86	3,126
- TP Group (associates)	-	-	-	-
France Telecom Group	-	-	-	-
- France Telecom S.A. (parent)	-	-	-	-
- France Telecom (group)	-	-	-	-
Financial expense:	**146**	**445**	**154**	**391**
TP Group	146	445	154	391
- TP Group (subsidiaries)	146	445	154	391
- TP Group (associates)	-	-	-	-
France Telecom Group	-	-	-	-
- France Telecom S.A. (parent)	-	-	-	-
- France Telecom (group)	-	-	-	-
Dividends paid:	**997**	**997**	**997**	**997**
TP Group	-	-	-	-
- TP Group (subsidiaries)	-	-	-	-
- TP Group (associates)	-	-	-	-
France Telecom Group	997	997	997	997
- France Telecom S.A. (parent)	997	997	997	997
- France Telecom (group)	-	-	-	-

(in PLN millions)	*At 30 September 2010*	*At 31 December 2009*
Receivables from:	**223**	**185**
TP Group	161	125
- TP Group (subsidiaries)	161	125
- TP Group (associates)	-	-
France Telecom Group	62	60
- France Telecom S.A. (parent)	53	52
- France Telecom (group)	9	8
Financial receivables from:	**4,297**	**3,683**
TP Group	4,297	3,683
- TP Group (subsidiaries)	4,297	3,683
- TP Group (associates)	-	-
France Telecom Group	-	-
- France Telecom S.A. (parent)	-	-
- France Telecom (group)	-	-
Payables to:	**305**	**295**
TP Group	216	203
- TP Group (subsidiaries)	216	203
- TP Group (associates)	-	-
France Telecom Group	89	92
- France Telecom S.A. (parent)	73	80
- France Telecom (group)	16	12
Financial payables to:	**9,181**	**9,398**
TP Group	9,181	9,398
- TP Group (subsidiaries)	9,181	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 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 9 months ended 30 September 2010 and 2009 amounted to PLN 8.7 million and PLN 12.1 million, respectively. In addition, PLN 2.2 million of a termination benefit accrued in 2009 was paid during the 9 months ended 30 September 2010. In the 9 months ended 30 September 2010 and 2009, the amount of accrued costs for bonuses for the Company's Management Board amounted to PLN 0.7 million and PLN 2.7 million, respectively.

In addition to the amounts presented above, during the 9 months ended 30 September 2010 the estimated cost of share-based payments under TP S.A.'s incentive programme allocated to the Company's Management Board amounted to PLN 0.5 million. During the 9 months ended 30 September 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 0.7 million. In the 9 months ended 30 September 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.

Mr Vivek Badrinath resigned from the Supervisory Board of TP S.A. with effect on 22 April 2010.
On 23 April 2010, the Annual General Meeting of Shareholders appointed Mr Thierry Bonhomme and Mr Olaf Swantee to the Supervisory Board of TP S.A. and renewed mandates of the following persons, whose term of office expired as of the day of this General Meeting: Mr Jacques Champeaux, Mr Ronald Freeman and Mr Mirosław Gronicki. On the same day, the term of office in the Supervisory Board of TP S.A. expired for Mr Antonio Anguita.

11. Subsequent events

On 22 October 2010, TP S.A. concluded a revolving loan agreement with an international syndicate of banks for a total amount of PLN 2 billion. The purpose of the agreement is to refinance the existing credit facility of PLN 2.5 billion, which secures TP S.A.'s liquidity. The agreement was signed for a period of five years and expires on 22 October 2015. The loan interest is based on the WIBOR rate 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.