

The Orange logo, consisting of the word "orange" in white lowercase letters with a trademark symbol, set against a solid orange square background.

orange™

Integrated Report 2017

Orange Polska



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Introduction



Message from CEO



Dear All,

Welcome to our annual report, the second in which Orange Polska's results are presented on an integrated basis.

This represents a new way of communicating with our shareholders and other stakeholders, one that combines the financial and non-financial aspects of our business. Our intention is to show you the wider context of our activities, and in particular how our business responds to the external and internal environment in which we operate.

In this report we discuss how we create value over time for our stakeholders, how we build sustainability, and we demonstrate that we can create value not only in financial terms, but also in other forms like trust, reputation, job satisfaction, customer loyalty or good relations with local communities.

Orange Polska has for the past few years been run in a more integrated way for the benefit of customers and other stakeholders, so integrated reporting felt like a better way to tell our story.

Integrated thinking is more and more a part of 'business as usual', and is reflected in:

- our strategy, in which we take into account the needs and expectations of our stakeholders,
- our thinking and the way we manage the company,
- understanding and measuring our impact on economy and societies,
- our communication with stakeholders.

For us integrated reporting is also the way we show financial data in a broader social context, as well as non-financial data as an important factor in our company development. This gives us a new standard for management and increases our transparency.

I hope that our story will meet with your attention and interest.

A handwritten signature in dark ink, consisting of a stylized 'JF' followed by a series of loops and a long horizontal stroke at the end.

Jean-François Fallacher
President and CEO of Orange Polska

About the report

Our new approach to reporting

Orange Polska is pleased to present its second integrated annual report. The previous integrated report was published in 2017. In it, we continue our commitment to communicating with our shareholders and other stakeholders in a way that combines the financial and non-financial aspects of our business. It presents our business model, our value creation story, the economic and social context of our operations, how we implement our strategy, how we are governed and how we influence the environment.

We hope that by reporting in this way we can demonstrate to our investors as well as other stakeholders the wider context of our business activities, and explain our responsible approach to doing business. We create value not only in financial terms, but in other forms such as trust, reputation, job satisfaction, customer loyalty and good relations with local communities. We encourage you to read the report and share your opinions by sending us your feedback to investors@orange.com.

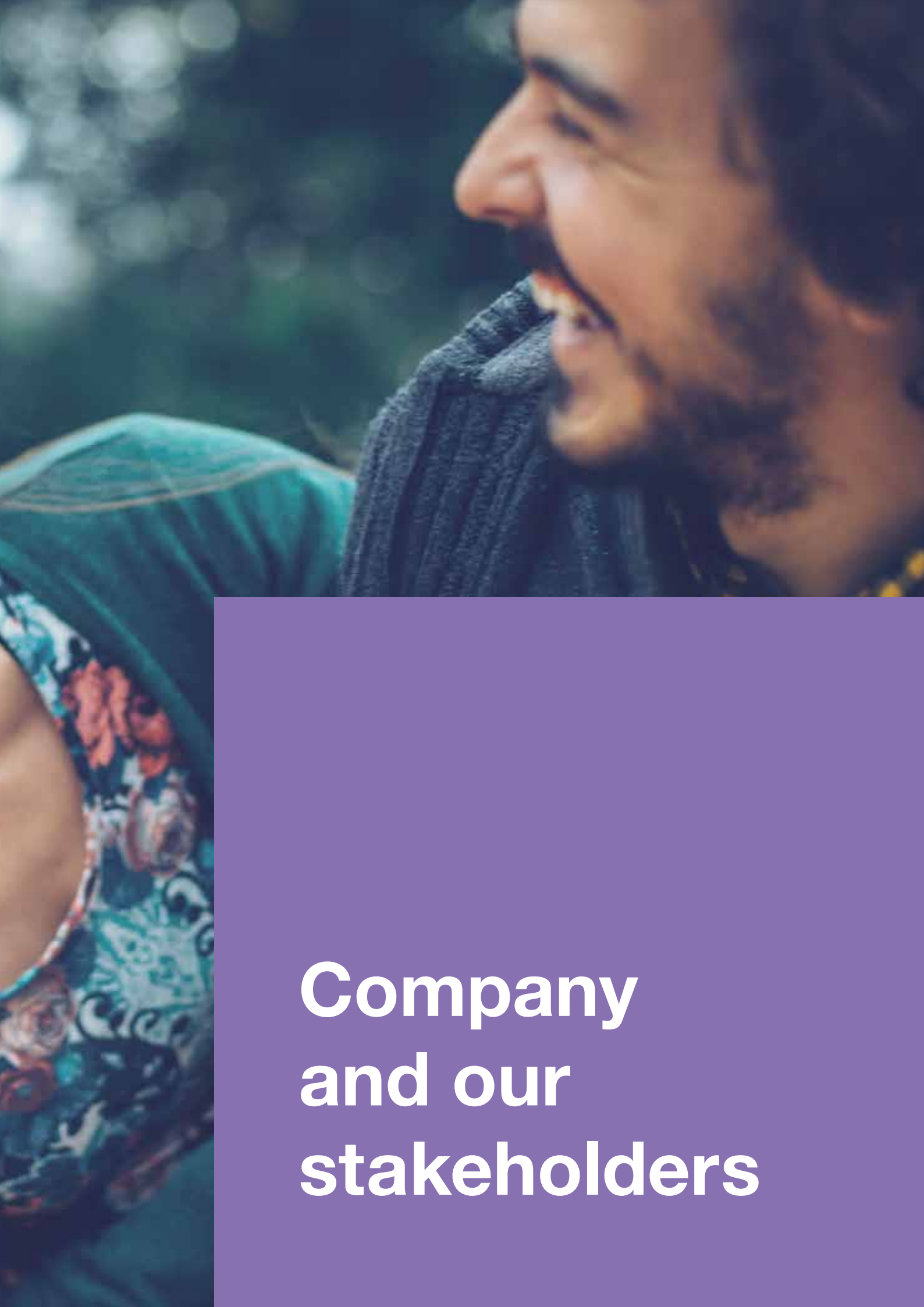
Scope and boundaries

The content of this report addresses key developments and material matters for the period 1 January to 31 December 2017. It provides insight into our business model, our strategic priorities, and the external and internal environment in which we operate: all factors which determine our strategy. It provides both qualitative commentary and quantitative performance measures. The report content is driven by materiality, and it sets out to address the most important topics for different groups of our stakeholders. The report also includes information on the indirect impact of Orange Polska in the value chain-building relationships with suppliers, public administration, business and social partners. We refer to our impact on the economy, local communities and the environment. For the purposes of this report we have included our full consolidated financial statements and our most material social and environmental information.

The content and the layout of this report are based on the International Integrated Reporting Council (IIRC) and Global Reporting Initiative (Standard) guidelines, ISO 26000 and the Global Compact Principles. The report also reflects the directions in EU legislation on disclosures of non-financial and diversity information.







Company and our stakeholders



About our company

Orange Polska is Poland's leading telecommunication provider, operating in all segments of the Polish telecoms market. The Group owns the largest telecom infrastructure in Poland, providing voice and data services on fixed and mobile networks. Orange Polska is 50.67% owned by Orange S.A., one of Europe's leading telecom operators. Orange Polska's success is founded on a portfolio of competitive products, a powerful, proactive sales force and outstanding customer care, supported by a robust infrastructure and highly motivated employees. Co-ordinating our efforts around a lean, agile operating model will ensure that we deliver healthy and sustainable returns to our shareholders.

Orange Polska vision

Loved by customers. Preferred by employees. Valued by shareholders.

We aim to provide best in class connectivity and convergent digital services to the people of Poland thanks to our unique combination of high-speed broadband fixed and mobile networks, our wide geographic presence, our skilled and customer-focused employees and the values of our Orange brand. We want to be the efficient, socially responsible and "human inside" Polish operator of choice, allowing everyone to connect to what is essential in their life.

Orange Polska mission

Provide Polish consumers and businesses with the best high-speed connectivity and an unmatched customer experience.

We will achieve this by designing simple, digitally-enabled services on mobile and fibre, allowing our customers to be always in touch and connect to what is essential in their lives.

Orange brand values



Friendly

We treat everyone as an individual and dedicate time for listening. We look forward to working together and sharing successes.



Honest

We talk about what we intend to do and we do what we have promised. We have nothing to hide, we take responsibility for our actions. We are always transparent and honest.



Direct

We always try to speak in a manner understandable to everyone. We are clear in our statements.



Inspiring

We always try to view the world from a different perspective, to choose the best course of action. We see things in full colour. We are ready to go beyond the boundaries and take risks.



Dynamic

We are passionate about what we do and what we believe. We want to actively change people's lives. Our optimism is contagious.

Orange Polska in 2017 in numbers

Shareholder structure

50.67%

49.33%



Orange S.A.



Other shareholders



11.4 bn PLN

revenues

3.0 bn PLN

adjusted EBITDA

26.5%

adjusted EBITDA margin

14,587*

employees at year end



1.9 bn PLN

capital expenditures



3,258

volunteers among employees



7.6 bn PLN

market cap at year end

403,488

children learned
to use the internet
safely

100

digital Orange
Studios for local
communitiesConvergent
customersMobile
accesses
(SIM cards)Fixed
broadband
accesses (retail)

TV customers

Fixed
voice lines
(retail)1,306,000
(+56.4% yoy)14,424,000
(-8.7% yoy)2,438,000
(+10.5% yoy)848,000
(+10.7% yoy)3,684,000
(-6.3% yoy)post-paid 9,726,000
(+5.0% yoy)Fibre 214,000
(+143.2% yoy)pre-paid 4,698,000
(-28.1% yoy)VDSL 467,000
(+15.6% yoy)

*full time equivalents

Our stakeholders

| | | Why it is important to engage |
|---|----------------------------------|--|
|  | Investors | As a listed company we take care of our investors and the financial community. |
|  | Customers | Our customers are vital for the success of our business and we put them at the heart of everything we do. |
|  | Employees | Engagement of adequately skilled and motivated employees plays a critical role in delivering excellent customer service and increasing long-term value generation. |
|  | Business Partners | Building strategic alliances can help to ensure the quality of our network and broaden our portfolio of customer offers. |
|  | Suppliers | Suppliers and contractors impact on our ability to provide products and deliver services. |
|  | Government and regulators | As our industry is regulated, it is essential for us to establish and maintain constructive relationship with the regulator. |
|  | Communities | Empowering local economies strengthens the socioeconomic context in which we operate. |

Through dialogue with our stakeholders, we learn to respond to their expectations more effectively. This chart identifies our key stakeholders, their concerns and how we engage with them. In the course of our business activities, we come into contact with members of each of these groups, every day.

| Ways we engage | How often we engage | What matters most to them |
|---|---|---|
| Providing detailed and transparent communication of financial and operational results; engaging in direct dialogue with investors through participation in roadshows, conferences and meetings; dedicated IR website. | Quarterly and annual results publication and meetings; surveys; continuous direct contact | Transparent financial information; turnaround in revenue, EBITDA and cash flow. Monetisation from network investment. Dividend prospects. |
| Dialogue with customers: listening & responding; customer satisfaction surveys, including NPS. | Continuous direct contact; regular customer opinion surveys (monthly, quarterly, annual and ad hoc) | A reliable and resilient network; good coverage; safe services; simple, transparent offers and pricing; good convergent offer; excellent customer service; easy access to services. |
| Employee training, and talent development; dialogue with employees: satisfaction survey; dialogue with Trade Unions. | Continuous direct contact; regular satisfaction surveys twice a year | Friendly and modern work environment; competitive remuneration levels; safety standards; clear career path and motivation system; opportunities for development. |
| One-on-one business meetings; agreements based on fair rules of co-operation. | Regular and on-going contact | Transparent and fair rules of co-operation |
| Dialogue and building of long-term relations with suppliers; group assessment: opinion surveys; audit. | Regular and on-going contact; opinion surveys at least once a year | Fair treatment; transparent rules of tenders and co-operation; timely payment, favourable terms. |
| Maintaining constructive dialogue with regulator; consultation process; dedicated reporting; meetings; participating in industry conferences. | Regular and on-going contact | Licensing and compliance; quality of services and network performance; wider access to broadband; partnership in health and education; investment in disadvantaged communities. |
| Co-operation with communities; programme partnership with educational and social institutions. | Regular and on-going contact | Investment in infrastructure; social investment in communities. |

A person with long brown hair, wearing a blue knitted sweater, is seen from the side, looking out over a body of water. The water is calm with some ripples, and the background is a bright, hazy sky. The image is partially obscured by a large orange rectangle on the left side, which contains the text.

Business model and value creation

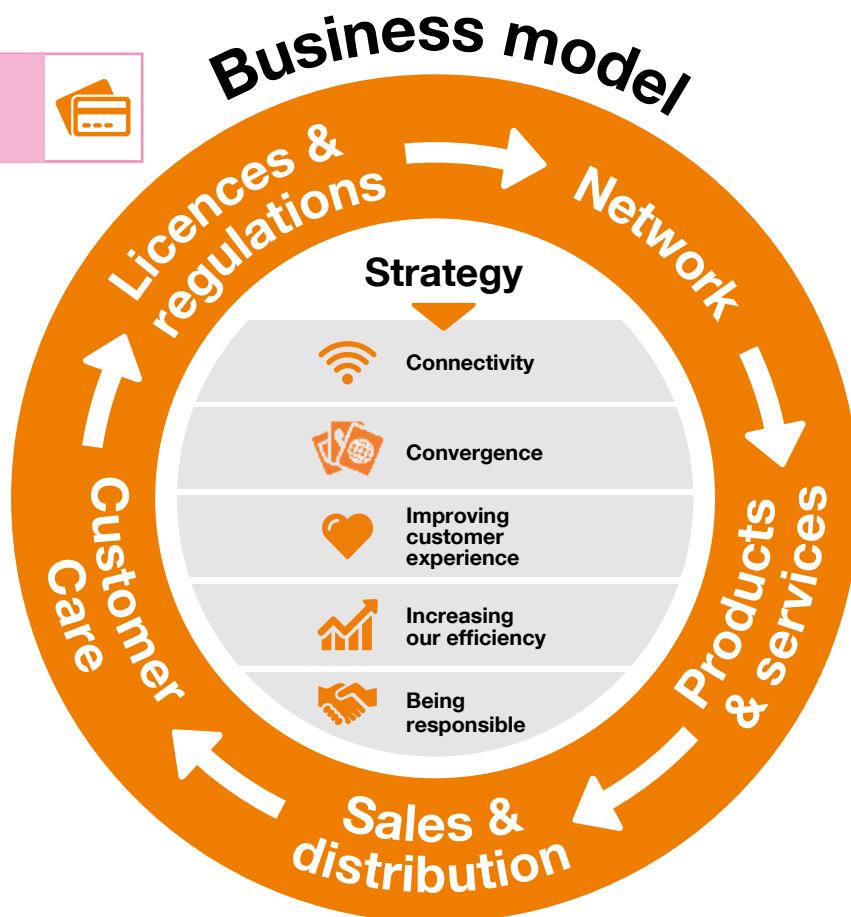
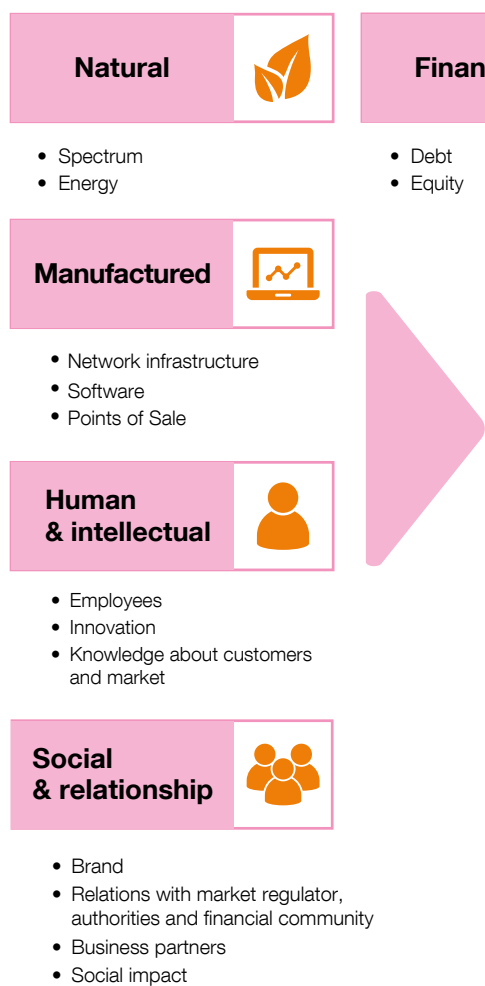


Business model

(Regulatory, Economic, Telecom market, Social, Environmental)

External environment

Key resources

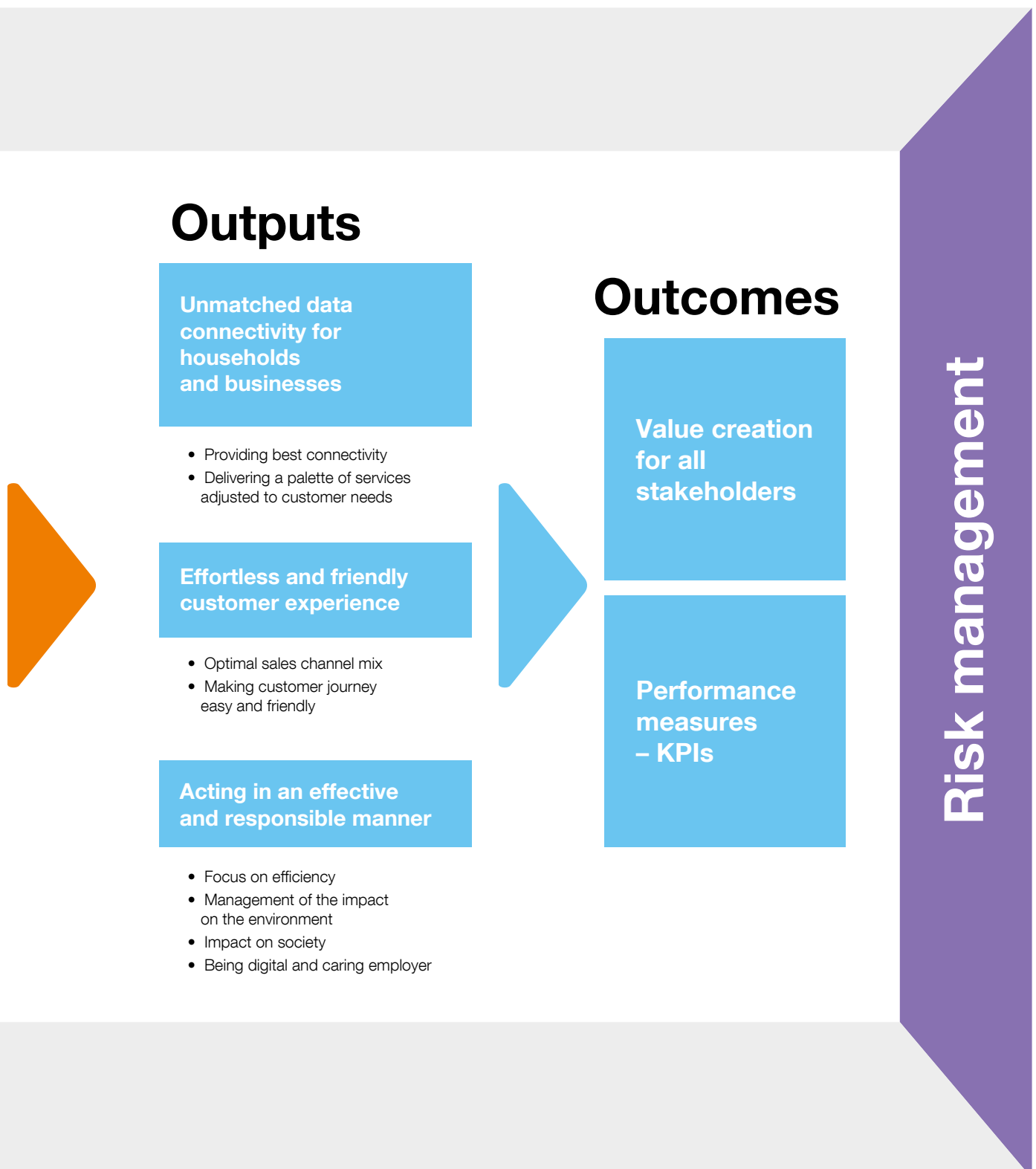


(Corporate governance, Corporate culture)

Internal environment

Orange Polska creates value for its customers by providing a friendly and effortless customer experience. We do this by supplying unmatched connectivity, and by selling a broad portfolio of innovative convergent, mobile and fixed products and services, supported by a proactive sales force, outstanding customer care, and highly motivated employees. Satisfied customers provide the revenues and profits the Company needs to reinvest in the business, ensuring continued value creation for all our stakeholders.

Our business model is unchanged compared to the previous Integrated Report. However we believe the new presentation better reflects process of our value creation.



Key resources



Natural

Spectrum

Orange Polska is Poland's leading telecommunication provider, operating in all segments of the Polish telecom market and holding licences for 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz frequencies. Spectrum is a scarce and unique natural capital, to which access is regulated at the national and European Union level. Our access to the spectrum required for rendering telco services is at the regulator's discretion. The amount of spectrum that is at our disposal influences the competitiveness and quality of the services we render.

Energy

Expansion of the telecommunications infrastructure in response to the growing demand for information flow entails higher demand for electrical energy in our industry. In order to compensate for this environmentally unfriendly trend, we take steps to optimise energy consumption. We also reduce electricity consumption through replacement of older technical devices with modern energy-efficient ones, modernisation of cooling systems, introduction of energy saving functionalities, and so on.

We manage natural resources efficiently, monitoring the consumption of energy and other resources, as well as carbon dioxide emissions related to our operations.

Energy consumption (GWh)



CO₂ emission (tonnes)



Financial

Debt and equity

We aim to maintain a responsible capital structure to support our business operations and finance capital expenditures. Equity and debt are balanced to remain within the frame of a safe financial structure and good credit standing.

Since 2014, our external funding needs are sourced from our majority shareholder Orange S.A. Such a policy allows for synergies in processes and cost efficiencies, as Orange S.A. is one of the largest telecom companies in Europe with ready access to a broad range of financing sources. The funding is provided on an 'arm's length' basis, supported by market benchmarks.

All of our foreign currency denominated debt is hedged against currency fluctuations and more than three quarters of debt is effectively switched into fixed rate debt.

The duration of debt is 3 years on average, allowing us to maintain a balance between optimal costs and stable financial structure. The earliest debt will mature in March 2019 (around PLN 2 billion)

Our leverage is closely monitored and the ratio of net financial debt to adjusted EBITDA is a key measure of financial structure and liquidity.



Manufactured

Network Infrastructure

Our activities require significant manufactured capital: our mobile and fixed line networks, service platforms and IT systems are the foundations of the products our customers rely on. Maintaining a reliable and fault-free network is critical to our business success. We have to respond to changes in technologies and invest in the right mix of technologies - for example, we are currently making significant investments in the rollout of the fibre network. In our view this is necessary for us to stay competitive in the market and be in a position to offer the best convergent services. Over the last 10 years we have invested more than PLN 20 billion in fixed assets.

Software

We run a number of service platforms that combine our network and IT resources to underpin many of the key products we offer. Our internal IT systems enable us to manage our processes, handle customer information and deliver our products and services.

Points of Sale

We reach our customers and sell our products through various distribution channels: traditional points of sale (POS), telesales, active sales, alternative channels and on-line sales. This wide distribution network ensures that everyone has access to our products and services. Our distribution network is constantly evolving in line with changing customer preferences. We optimise traditional shops and open new modern Smart Stores. Online is the fastest growing channel. At the end of 2017 we had 739 POS all over Poland, including 14 Smart Stores. One in every six of our POS is adapted to the needs of customers with disabilities.



Human and intellectual

Employees

Engagement of adequately skilled employees plays a critical role in increasing long-term value generation. We invest in our people so they can succeed and contribute effectively to our business. We value diversity, providing equality of opportunities which we believe leads to higher skills-set and higher innovation - diverse workforce fosters greater innovation, helps us to better understand and serve our customers and empowers our people to deliver their best. Orange Polska Group has 14,928 employees (including Networks!), while outsourced staff number 5,480.

Innovation

We have created Orange Labs to support development of new technologies and innovations. It is part of the international Orange Labs network, which includes over a dozen research and development (R&D) centres and laboratories. Orange Labs co-operates with external partners to develop, select and implement innovations, undertaking R&D tasks for both Orange Polska and the Orange Group. Any financial settlements between Orange Polska and Orange Group are done on an 'arm's length' basis, informed by market benchmarks. We have been actively involved in the EU Horizon 2020 research and development framework. R&D and co-operation with start-ups are very important to our business; we spend around PLN 50 million on research and development annually. We follow the Open Innovation model. As a result, our social impact is not limited to the direct influence of our innovations on the lives of people and communities, but is also reflected in the transfer of know-how to our partners.

Knowledge about customers and market

Knowledge about our customers and our market is crucial to our success. Building trust and loyalty among our customers and giving them what they want is vital to our sustainability in an increasingly competitive industry. The voice of our customers has a major influence on our business decisions. To deliver unmatched experience throughout the customer journey, we engage in active dialogue with our customers on different levels. We conduct comprehensive surveys which compare our offers, products and network quality to those of our competitors. Our managers are engaged in a "Call Detractor & Promoter" initiative to solve customers' problems and to better understand our own strengths as well. They also help frontline employees to understand the customer perspective.



Social and relationship

Brand

Orange – strong globally...

Orange is a global company, serving over 250 million customers around the world and present in 29 markets. It is also an extremely powerful brand with top recognition indices – the 2017 Brand Finance Global 500 report puts it in 51st place globally, with a \$21bn price tag. Boston Consulting Group has ranked Orange in its top 20 “Most Innovative Companies” in the world in 2018, higher than any other telecom company.

...and leading in Poland

According to external market research conducted in December 2017 (by PBS Research Agency), Orange was the first choice brand for Polish consumers with respect to Mobile voice (28%), Mobile broadband (23%), Fixed broadband (23%), Packages (26%) and Fibre (23%).

In 2015 we launched a new philosophy and visual identity for Orange in Poland. The brand is now more in tune with the digital world and with our ambitions, which are focused on customer experience. The marketing slogan is “always in touch to connect what’s essential in your life”, and the new guidelines for both the Group’s internal culture and its external actions are based on listening and responding to customer needs. This new approach has changed the way consumers experience our brand through customer care and sales channels. It has also brought us high communication awareness (twice first in the market during 2017, 45% in December) and record high awareness of the Orange Love convergent package (78%).

Relations with market regulator, local authorities and the financial community

Good relationships with our key stakeholders are vital to the success of our business. To us, this means building trust, readiness for dialogue, and keeping in touch on an ongoing basis.

In particular it is essential for us to establish and maintain constructive dialogue with the telecom regulator and local authorities. As a listed company we take care of our investors and the financial community by providing transparent communication of our financial results and engaging in direct dialogue with them.

Relations with business partners

Orange Polska is a partner or member of a number of industry, business and social organisations. We want our relations with our suppliers and business partners to be based on transparent long-term relationships and adherence to ethical standards and principles. We co-operate with both global vendors and local market players. Our activities include both one-off purchases and long-term contracts with over 4,100 suppliers. We follow a competitive and open procurement policy which is ensured by the Procurement Process Rules. The document includes procurement procedures which regulate supplier selection, contracting and confidentiality, and address potential conflicts of interest.

Social impact

It is important for us to maximize Orange Polska’s positive social impact and minimize any negative consequences, which is why we have created a corporate social responsibility (CSR) strategy. Combating digital exclusion is an important element of this strategy, involving not only access to new technologies but also education, particularly of young web users as well as residents of small towns and rural areas. We believe that teaching people to use new technologies for both their own benefit and that of the community is just as important as providing the technologies themselves. Through its initiatives the Orange Foundation has been encouraging people to gain knowledge, participate in culture and build communities with skilful use of the internet and digital technologies. This knowledge not only improves quality of life and contributes to society as a whole, but also benefits the long-term development of our business.



Key resources



Natural

- Spectrum
- Energy



Financial

- Debt
- Equity



Manufactured

- Network infrastructure
- Software
- Points of Sale



Human & intellectual

- Employees
- Innovation
- Knowledge about customers and market



Social & relationship

- Brand
- Relations with market regulator, authorities and financial community
- Business partners
- Social impact



Business model

Licences and regulations

To be able to render mobile telecom services we require access to radio spectrum. The amount of spectrum that is at our disposal influences the competitiveness and quality of the services we render and ultimately the customer experience. This is especially important in the light of huge growth in mobile data consumption. Our competitive position in radio spectrum significantly improved in 2016 following completion of the relevant auction towards the end of 2015. As a result of the auction we acquired 10MHz spectrum in 800MHz band (the maximum that was allowed) and 15MHz spectrum in 2600MHz band. On top of our own spectrum permissions, based on the agreement with T-Mobile we also use part of T-Mobile's spectrum in the 1800MHz band and 2.4MHz of T-Mobile's spectrum in the 900MHz band. In order to continue to assure the best customer experience we need to continuously optimise our effective use of spectrum. Taking into account robust growth of data traffic on LTE technology (180% year-on-year growth in 2017) and lower needs for 3G and 2G technologies, we are planning to increase the amount of spectrum dedicated to LTE technology.

Future deployment of services based on 5G technology will require us to acquire new frequencies. However, this has to be preceded by comprehensive rearrangement of this spectrum and allocation process both to be in the responsibility

of the market Regulator and the government. 700 MHz band is currently in use by TV broadcasters and is required to be available by 30th of June 2022. 3.5-3.7 GHz bands are partly allocated but very fragmented and require very complex reshuffling process.

Business model

Licences & regulations

Network

Products & services

Sales & distribution

Customer care

The current distribution of frequencies for the 700–2600 MHz bands and 3500–3700 bands is presented below

| | | | | | | | | | | |
|----------------------------------|--|-------------------------------------|------------------|---|-----------------|----------------------|---------------------|-------------------------------------|---------------------|---|
| 700 | Used for TV Broadcasting 30MHz FUTURE 5G SPECTRUM | | | | | | | | | |
| 800 | Orange 10MHz | | | Play 5 MHz | | T-Mobile 10 MHz | | Sferia 5 MHz | | |
| 900 | Play 5 MHz | Aero2 5 MHz | Plus 2.8 MHz | T-Mobile 4.4 MHz | Plus 6.2 MHz | | T-Mobile 4.6 MHz | Orange 6.8 MHz | | |
| 1800 | Aero2 19.8 MHz | | | Play 15 MHz | | T-Mobile 12.6 MHz | 2.4 MHz | Orange 10 MHz | T-Mobile 7.4 MHz | Plus 7.6 MHz |
| 2100 | Orange 14.8 MHz | | | T-Mobile 14.8 MHz | | Plus 14.8 MHz | | Play 14.8 MHz | | |
| 2600 | Plus 20 MHz | | Orange 15 MHz | T-Mobile 15 MHz | Play 20MHz | | Aero2 50 MHz TDD | | | |
| 3500 | Partly allocated (per commune not countrywide); extremely fragmented FUTURE 5G SPECTRUM (200 MHz TDD) | | | | | | | | | |
| 3700 | T-Mobile 28 MHz | Regional / partly free 14 MHz | Netia 14 MHz | Regional licenses / partly free 42 MHz | | | Play 28 MHz | Regional / partly free 14 MHz | Netia 14 MHz | Regional licenses / partly free 42 MHz |
| FUTURE 5G SPECTRUM (200 MHz TDD) | | | | | | | | | | |

FUTURE 5G SPECTRUM (200 MHz TDD)

Details of telecommunications licences are as follows

| (in PLN millions) | Acquisition date | Years to expiration ⁽²⁾ | Net book value | |
|-----------------------------------|------------------|------------------------------------|---------------------|---------------------|
| | | | At 31 December 2017 | At 31 December 2016 |
| 800 MHz | 2016 | 13.1 | 2,676 | 2,880 |
| 900 MHz | 2014 | 11.5 | 276 | 300 |
| 900 MHz ⁽¹⁾ | 2013 | 0.6 | 7 | 20 |
| 1800 MHz ⁽¹⁾ | 2013 | 10.0 | 159 | 175 |
| 1800 MHz | 1997 | 9.6 | - | - |
| 2100 MHz | 2000 | 5.0 | 479 | 574 |
| 2600 MHz | 2016 | 13.1 | 103 | 111 |
| Total telecommunications licences | | | 3,700 | 4,060 |

(1) Licences held under agreements with T-Mobile Polska S.A.

(2) Remaining useful life in years as at 31 December 2017.

Network

Network development driven by customer needs

Our activities with respect to network development are driven primarily by the needs of our customers. These needs are evolving along with the growing number of mobile devices, cloud services, high-resolution videos, games and streaming services. In addition, our customers increasingly expect secure access to the digital world at home, at work, and on the move, with optimal quality and speed, regardless of technology. We believe that, among other factors, quality of connectivity is a key criterion when customers choose a telecom service provider.

To fulfil these needs, our network has to be widely accessible, reliable and safe. We are the only operator on the market with a converged network infrastructure (combined fixed and mobile networks). That means we can ensure the best network connectivity.

The largest network infrastructure in Poland

As the former incumbent operator we have the largest network infrastructure in Poland. Network topology consists of around 14,300 km of fibre in backbone, 78,300 km of fibre in aggregation network and more than 500,000 km of access network. The access network is predominantly built in copper technologies; fibre accounts for around 16,600 km at the moment, although it is growing rapidly in line with our intensive fibre investment plans (at the end of 2016 fibre accounted for just 3,500 km). This constitutes the basis for rendering fixed and mobile services.

Fibre is also increasingly used to connect our mobile base stations, on one hand to boost capacity to withstand growing data consumption and on the other hand to ensure greater reliability of the network. At the end of 2017, 58% of our mobile base stations were connected to backbone through fibre. Not only cable infrastructure is shared between mobile and fixed networks but also higher network layers like core, control and service platforms. Our network is expected to undergo gradual transition to fully IP-based in the years ahead, which will require elimination of certain network elements (e.g. PSTN stack).

Access network based on technological evolution, local approach and customer demand

To ensure the best connectivity and optimum resource allocation we take into account the specifics of local markets. In cities, we are focusing on the development of Fibre to the Home (FTTH) coverage, whereas in less densely populated

areas copper-based technologies, supplemented by mobile ones, are the primary broadband access solution.

In the fixed network we stepped up our intensive deployment of fibre. At the end of the year our fibre access network covered almost 2.5 million households in 75 cities. In the mobile network, thanks to LTE 800 rollout based on frequencies purchased in 2016, we were able to ensure almost 100% coverage with our 4G network. In response to the growing demand for high-speed internet access, Orange Polska is also steadily increasing the number of locations supported by LTE. Currently OPL operates on 5500 LTE 800 MHz and 2400 LTE 2600 MHz stations, and 3920 of them support Carrier Aggregation technology (4G+), which multiplies available bandwidth.

Over the coming years 5G technology will gain importance. In 2017 the “5G for Poland” agreement was signed, addressed to all interested parties: Ministry of Digital Affairs, the Office of Electronic Communications, telecommunications operators, economic chambers, providers of telecommunications services, equipment and solutions, research and development institutions, and technical universities and Polish start-ups. The aim of the agreement is to develop a “5G for Poland” strategy which will later be adopted by the Council of Ministers.

Orange Polska has also started its 5G launch preparations. We are the first operator in Poland to have tested vRAN (Virtualized Radio Access Network), which is one of the important components towards 5G.

Network reliability and resilience requires the adoption of self-healing network mechanisms and constant quality monitoring. We are capable of monitoring service quality not only at the statistical level but also from the perspective of an individual customer. We are proactive in our approach and respond before parameters start to deteriorate, preventing network congestion. We want to ensure the same connectivity experience, whether customers use our mobile or fixed networks.

The significant increase of security incidents in the online economy has led to growing customer demand for cybersecurity. Therefore we set up our Security Operations Centre (SOC), serving Orange Polska and Orange Group affiliates. We have introduced security services for individuals (e.g. Cybershield) and business customers. Orange Polska's Computer Emergency Response Team (CERT) operates around the clock, taking care of all cybersecurity issues that impact users who access the internet through the Orange Polska network. CERT Orange Polska is also a part of the national cybersecurity ecosystem.

Network efficiency

To increase the efficiency of our infrastructure, legacy technologies and solutions which are mainly voice-oriented are being replaced with a converged network capable of handling all types of traffic: voice, data and video. We implement solutions that fully support IP technology, and, thanks to self-healing and dynamic reconfiguration mechanisms, provide for higher service quality while improving cost-effectiveness. In our efforts to provide customers with the best network in Poland we leverage our own investment by using third party infrastructure and benefiting from EU funds for network construction.

On the mobile side, we co-operated with T-Mobile to set up Networks!, a company responsible for network construction and network operation. We share sites infrastructure (over 10,000 shared sites) and frequency resources (in the 1800 MHz band), which enabled the fast introduction of 4G and optimisation of operational costs. We are also actively looking for opportunities for fibre coverage enhancement.

In areas where we are planning to upgrade our network to high-speed, we are also using modern third party infrastructure to supplement our own investments, if a reasonable commercial arrangement can be made. In 2017 we signed several agreements, which extended coverage of our VHBB services by over 200,000 households.

We participate in the national Operational Programme 'Digital Poland' (POPC). From 2014-2020, POPC is implementing EU Digital Agenda objectives in Poland and providing EU funds to support network construction in areas where standalone commercial investment is not profitable. That will allow us to upgrade our network to high-speed capabilities in less populous areas.

Orange Polska is now carrying out projects won during the second POPC competition stage. These include the supply of fast Internet connections (at least 100 Mbps) to 423 districts. About 2,900 schools operating there will be also connected to super-fast internet. This means that, along with the investments that Orange Polska carries out from its own funds as part of the National Education Network, in the coming years we will connect optical fibre to almost 7,400 schools.



Network architecture



Products and services

We aim to meet the needs of our customers by delivering unmatched data connectivity and products and services that matter to them. We want to be the number one operator for Polish households and the trusted partner of choice for businesses, supporting digital transformation. We offer a broad portfolio of telecommunication products and services for individual, business and wholesale customers. We are the only fixed-mobile convergent operator in Poland, offering fixed connectivity based on different technologies.

Our success as a business depends on delivering value to all our customers, enabling them to fulfil their needs and aspirations. This translates into increased market share on

the one hand, and on the other hand into revenues and profits. To achieve success we have to design a palette of services that fit customer needs, are competitive and allow us to differentiate ourselves on the market. Finally, the offer has to be properly communicated.

Fitting customer needs

As customer needs are evolving rapidly and the continued digitisation of society generates a vast increase in demand for data transfer, we have to constantly develop our offer, adjusting it to customer needs and providing the right products at the right price. Our activities in this respect are different for the mass consumer market and for business customers. Furthermore, the business customer group is

not homogenous either. We make a distinction for internal purposes between small businesses, bigger corporate customers and the largest customers (key accounts). An example of a change in customer needs is the trend towards fulfilling the digital needs of entire households, as opposed to the single service contracts that were the market standard a few years ago. Our products are available to all our customers regardless of their age, ability, skills or place of residence. We conduct an active dialogue with our customers to ensure that our services and products meet the relevant needs and requirements.

Competitiveness and differentiation

In order to be successful, our service portfolio must be competitive. So we very closely monitor the activities of our competition and react appropriately. The Polish market is very competitive with a significant number of players in all its segments. The level and dynamics of competition have had a very significant influence on our financial results. We are constantly looking for innovations in our product portfolio and the right balance between features and price. The key differentiator and the source of competitive advantage for us is the ability to offer both mobile and fixed services, which we call convergence. By addressing the household's telecommunication needs in a comprehensive manner and encouraging customers to buy additional services, convergence increases customer satisfaction and reduces churn as compared to single service users. We accelerated our convergence strategy in 2017 by introducing the Orange Love convergent offer and making it the key commercial formula in the new Orange.one strategy. We also develop adjacent services that complete our basic telecom product portfolio for a household, like financial services and energy resale. On the business market a good example of differentiation strategy is our development of competencies in ICT, which in a lot of cases helps us to win business in our core services. Our global and widely recognised "Orange" brand is a vital source of competitive advantage and also helps us to differentiate.

Sales and distribution

We aim to make it easy for our customers to access our products and services. We use different channels to connect with customers, including: traditional points of sale (our own or our agents'), independent distribution chain outlets (e.g. consumer electronics stores), online, telesales and door-to-door. To maximise value generation we must ensure the right mix of distribution channels, reflecting market evolution, local specifics, customer needs, competition and the range of services we offer.

More effective selling with a local approach

The Polish telecom market is not homogenous; households are divided fairly equally between big cities, small and medium cities, and rural areas. Each of these three zones is different with respect to factors like competitive environment, our market shares in particular segments, connectivity options and customer needs. As such we have implemented the 'Macro2Micro' model, dividing sales into 10 regions and 80 districts. This decentralised structure allows us to diversify our sales approach to match local expectations and customer needs. It also allows us to better recognise the potential of these markets and more effectively adjust our network investments to local demand.

Digitalisation and cross-channel

Our strategy with respect to the right mix of sales channels is driven mainly by evolving customer purchasing preferences and internal efficiency. We carefully monitor cost-to-revenue ratios. One obvious trend is the growing importance of online sales. In 2017 the number of active users of the My Orange application increased 26%, while the volume of sales transactions via this channel increased tenfold. Another trend is customer demand for the same experience regardless of distribution channel: face-to-face, by phone or online. To address this we have developed an omnichannel approach. Despite the growth of online sales, we do not expect traditional points of sale to lose their importance. Increasingly, we see customers hopping between these channels: they may start a transaction on-line but finalise it in the shop, or vice-versa. At the same time we actively manage our network of points of sale. This includes closures of non-profitable locations, relocations, modernisations and upgrades. In 2017 we also began to standardise our shops, replacing the current 5 formats with just three: compact, standard, and Smart Stores. We are particularly focused on the development of Smart Stores, interactive outlets designed to reflect the latest trends, where our customers can test all our services and products.



Customer care

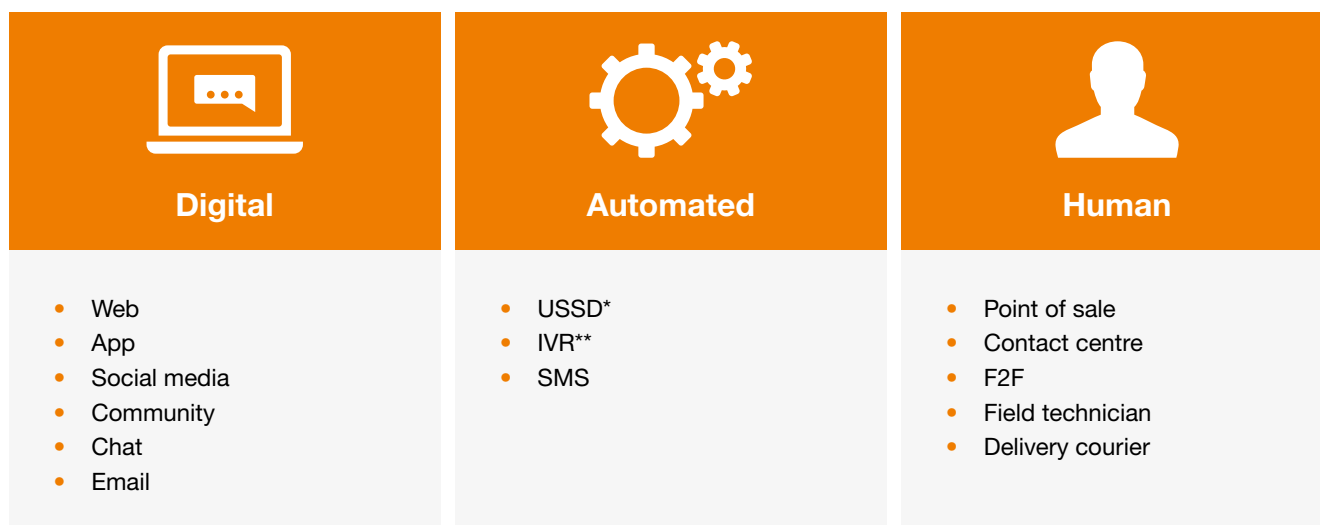
Delivering exceptional customer care across all channels of communication remains our primary task. We have strengthened our offer in this area by changing our approach to customer relationship management, which is now driven by the customer journey. In line with this approach, we review all our actions in terms of their impact on customer experience. We want to provide a unique customer experience

which is the best on the market, as well as a uniform quality of service across all touch points.

Mix of friendly contact channels

We provide a highly cost-effective mix of top quality channels (digital, automated, human), which is adjusted to customer needs and expectations.

Customer contact channels mix



*USSD – Unstructured Supplementary Service Data. After choosing the selected menu on the handset screen, the customer activates another menu that includes the information they need. The menu is visualised (available on the phone screen).

**IVR – Interactive Voice Response. System allowing interactive caller support. The caller, after hearing the recorded messages, selects the chosen items from the menu.

Orange Polska is the only telecom provider in Poland to hold the prestigious international COPC (Customer Operations Performance Center) certificate. It attests to the highest standards in customer care management. In all our contact centres we have implemented the relevant global management standards, which concern efficiency monitoring, quality, employee recruitment and development, etc. We currently have 22 contact centres, staffed by more than 4,800 employees, both permanent and outsourced (as of December 2017).

The newer contact channels, like social media platforms or mobile apps, play a big part in customer care at Orange Polska.

- For six years we have been Poland's leader in using Facebook for customer care.
- Almost 1.2 million customers use the 'My Orange' mobile app, up from just over 900,000 at the end of 2016. They can quickly and easily check their credit balance, activate or deactivate services, review details of fees and charges or pay invoices.
- Almost 800,000 conversations with consultants were held through chat in 2017, compared to almost 300,000 in 2016.
- Over 72% of customer invoicing is electronic.

Owing to the development of these channels, the number of customer contacts with Orange via traditional channels has dropped, reducing our customer care costs.

Customised service

Our customers have responded positively to our service approach tailored to their lifestyles and needs, which we implemented in 2016. Therefore, we continued this in 2017 and will maintain it in the coming years.

Customised service is a chance to offer each customer the approach they prefer:

- Young people (under 24): We offer them a more casual manner of conversation and encourage them to use the 'My Orange' app and other digital channels.
- Senior citizens (over 65): As the sole telecommunications company in Poland we hold the 'OK Senior' certificate for our dedicated infoline.
- Deaf people: We provide them with sign language interpreter's services on our website to assist in contact with infoline consultants.
- Premium customers (subscribing to at least seven services): They are offered dedicated and personalised customer care.
- Fibre service customers: A dedicated team of experts handles all customer matters from start to finish (95% of cases are resolved within 24 hours).
- Most business customers: They are offered operational care tailored to three segments (small businesses, bigger corporate customers and key accounts), dedicated consultants handling cases from beginning to end, customised solutions as well as expert customer care in our sales outlets.

External environment

Regulatory

General rules

The Polish telecommunications market is subject to sector regulation established at EU level and transposed to national legislation. It is supervised by the National Regulatory Authority - the Office of Electronic Communications (UKE). As a general rule the telecom market is divided into separate markets of wholesale and retail services (so-called "relevant markets"). UKE analyses the level of competition within each of these markets and, based on this analysis, decides on the necessary level of regulations. As a former incumbent operator on the fixed services market, Orange Polska is designated an entity with significant market power and is subject to regulations in certain market segments. As such, this regulatory regime has significant impact on some of the services we provide. On the mobile market, regulations are equal for Orange Polska and other big market players. Our activities are also subject to supervision by the Office of Competition and Consumer Protection (UOKiK).

Core regulations

We consider the following regulations to be the most important for our business at the moment:

- Regulation of wholesale broadband services (so-called BSA) and physical access to last mile infrastructure (LLU) belonging to Orange Polska, including ducts, is mandatory in all areas of the country under cost orientation obligations and non-discrimination requirements, and covers both fibre and copper lines. BSA to Orange Polska fibre and copper infrastructure is not mandatory in the 76 municipalities which are deregulated. In the rest of the country, Orange Polska is obliged to provide BSA based on non-discriminatory conditions and prices based on costs (verified by Margin Squeeze/Price Squeeze tests).
- Regulation of call termination services in fixed network – Orange Polska is not the only operator subject to this regulation but its regulation is the most restrictive in terms of termination rate and wholesale access conditions. Additionally, the fixed termination rates applied to Orange Polska and other operators are asymmetrical.
- Regulation of retail and wholesale access markets for fixed telephony, including wholesale line rental (WLR) – Orange Polska is the only operator which is regulated

in terms of retail and wholesale access fees (call services are already deregulated). These regulations can limit price flexibility in retail offer creation.

- European regulations regarding roaming prices in the European Union – Since 15 June 2017 retail prices for roaming services are equal to domestic retail prices. Operators are protected against abusive use of roaming through the "fair use" policy. As roaming price regulations have a negative impact on both revenue and profitability, Orange Polska applied to UKE for the right to use surcharge mechanisms for customers who abuse Roam Like at Home rules.

Obviously as a business entity we must also comply with administrative decisions and general law and regulations. Recently the legal environment has been changing dynamically. Further amendments to telecom rules are pending both at European and national level.

Recent trends in regulatory environment

The regulatory regime over the past few years has been evolving toward a policy of balanced intervention. This is mainly related to changes in the structure of the overall telecom market in Poland and a much higher degree of competition in particular segments (e.g. emergence of cable operators as important players in retail fixed broadband).

For example, UKE is currently working on solutions that will guarantee symmetrical access to cable and building infrastructure. Regulatory obligations are expected to be imposed not only on telecommunication operators but also on CATV operators, especially the largest ones.

At the same time UKE more often supports regulatory policy that favours an investment environment, moving from ex-ante regulations to ex-post verification, if a competitive environment already exists. We expect the next major development in the regulatory framework to be a change in Fixed Termination Rate (FTR) calculation. UKE is working on a new FTR costing model in line with the European Commission's recommendation. When it is implemented, it will have a material negative impact on Orange Polska's revenue.

Economic

Changes in the Polish economy, such as GDP growth, inflation, unemployment, disposable income, interest rates or foreign exchange rates, can influence our ability to create value. Whilst these areas are outside of our direct control, we can use our hedging strategies to mitigate the potential adverse impact of market movements. Poland's economic situation improved in 2017 and according to economic forecasts solid growth should be maintained in the years ahead.

GDP growth

In 2017, the Polish economy grew at a considerably faster pace than in 2016. Real GDP grew by 4.6%. The positive economic conditions resulted mainly from growth in private consumption supported by rebound in investments and exports. These growth engines will face difficult challenges in subsequent years, mainly due to labour shortages and wage pressure. In 2017, household consumption expenditure remained under strong inflationary pressure, but was stimulated by falling unemployment, growing wages, '500+' welfare programme and low interest rates. Poland's economic outlook depends also on the condition of other European economies and the economic climate in global markets. According to Bloomberg's consensus forecast, Poland's GDP is expected to grow 3.6% both in 2018 and in 2019.

Inflation

Average annual CPI reached 2.0% in 2017, which was below the inflation target (2.5%). Throughout the year there was a rise in prices in all main segments of goods and services except clothing and footwear, with food prices growing the most. Despite growing inflationary pressure, throughout the year the Monetary Policy Council kept the reference interest rate at the record low of 1.5% (set in March 2015), upholding an opinion that the current stable economic growth limited the risk of inflation remaining below the target in the medium term.

Compared with other branches of the economy, the telecommunications sector reported declining profitability in 2017, which was a result of a decrease in effective prices accompanied by significant capital expenditures required to upgrade obsolete infrastructure in line with the growing expectations of customers and ensure service availability in the areas of coverage gaps.

Unemployment and labour costs

The labour market has been positively affected by the general macroeconomic climate, which was reflected in an increase in employment and a decrease in unemployment to 6.7% (-1.6 pp. year-on-year) at the end of 2017. At the same time, an increase in wages in the enterprise sector was reported. Between January and December 2017, these wages were up 5.9% in nominal terms. A further decline in unemployment may be expected in 2018. However, as it will be approaching the natural rate of 5%, the existing problems with labour shortage and growing labour costs due to wage pressure may intensify. This in turn may negatively affect the mood in some parts of the enterprise sector and constitute a barrier to economic growth by limiting investments.

Interest rates

2017 did not bring any changes in the Central Bank's policy, and interest rates remained stable at a historically low level. The Monetary Policy Council is expected to keep interest rates unchanged in 2018, while taking steps to prepare the market for increases in 2019. However, a potential increase in interest rates should not have any major influence on the debt service costs of the Group, as it maintains a high hedging ratio.

Foreign exchange rates

Foreign exchange rate fluctuations affect Orange Polska's liabilities denominated in foreign currencies and settlements with foreign operators. However, this influence is greatly contained by a portfolio of hedging instruments held by Orange Polska. In 2017, Polish zloty gained 4.9% against the Euro and 19.7% against the US dollar. The Polish currency fluctuations were caused by both internal and external factors. The funds buying T-bonds and recognising our country's good economic perspectives returned to Poland. Low volatility worked well for the local currency. Any potential depreciation of Polish zloty should not have in medium term major influence on Orange Polska's liabilities denominated in foreign currencies or settlements with foreign operators owing to a high hedging ratio.



Telecom market

The Polish telecom market is characterised by high levels of competition and relative fragmentation. It is mainly driven by mobile services and a high degree of fixed-to-mobile substitution in both voice and broadband. These factors have had a critical impact on the overall performance of the market in the past. Taking into account the favourable economic situation in Poland, the very low prices of telecom services and more equal market shares among major players, we believe there are grounds to expect market participants to focus increasingly on value generation. This would create a more benign market situation going forward.

Polish telecom market – still declining but the trend is improving

According to our estimates, between 2012 and 2017 the total value of the telecom market was declining at a pace of around 1-2% per year. However, the trend has been gradually improving through this period which may suggest more stability going forward. The key factors that have influenced market performance in recent years include:

- The very high level of price competition in mobile services, exacerbated by several price wars in both B2C and B2B segments. The key disruptor was Play, a latecomer to the market, which by the end of 2012 was taking advantage of MTR asymmetry and pursued an

aggressive strategy to gain market share.

- The structural decline of fixed voice services which was influenced mainly by 1/ very fast proliferation of affordable mobile services, 2/ partial regulation of this segment, 3/ unfavourable demographic trends.
- Weak fixed broadband infrastructure, especially outside of big cities, which in combination with the rapid development of mobile services and strategies of mobile-only market players resulted in partial fixed-to-mobile substitution. Penetration of mobile broadband positioned as home internet access is much higher in Poland versus the EU average.
- Pay-TV market being negatively affected by development of strong free digital terrestrial television.

These trends have had a greater effect on Orange Polska than on the overall market, and this has been reflected in falling revenue.

This was mainly due to:

- The need to adjust to high price competition in mobile to defend market shares in both B2C and B2B segments.
- Very significant exposure to fixed voice, as an incumbent operator.
- Underperforming the overall market in fixed broadband due to regulations and weak infrastructure in big cities, resulting in the loss of market share to cable operators.
- No significant exposure to pay-TV market.

Expected future market trends

We expect the following key trends to drive the market in the years ahead:

- It is arguable that we should expect a more benign situation on the mobile market going forward. Unlimited all-net voice tariffs have become a market standard and the price of services has fallen to one of the lowest levels in the EU. In addition the market shares of the four main players have more or less equalised. Over the past 12 months, operators have revised their tariff plans to encourage customers to migrate to higher price points in return for more attractive features (e.g. music or TV content). This suggests to us that the market is increasingly focused on a “more for more” approach and value generation. This is certainly the case for Orange Polska. However, the market is still very competitive, as are smartphone prices, and recovery so far has been rather slow. Operators increasingly compete for household incomes by offering very favourable rates for incremental services.
- Data consumption should experience a further surge, spurred by the proliferation of mobile devices and very fast growth of data per customer. We foresee that data consumption will continue to grow at the current pace at least for the next few years while the smartphone revolution continues in Poland.
- Significant investments in high-speed broadband infrastructure will continue, from Orange Polska but also other market players as well the government POPC programme. Better infrastructure combined with growing data needs will drive the migration towards high-speed internet. Taking into account the economics of fibre network rollout as well as all network investment plans announced publicly so far (including Orange Polska and governmental POPC programme), we estimate that in the mid-term the number of households within reach of the fibre network in Poland may exceed 7 million, compared to around 4.1 million at the end of 2017.
- Convergence is increasingly recognised as the household business-winning formula. This is evidenced by the success of our Orange Love offer, the pending acquisition of Netia by Cyfrowy Polsat Group, and T-Mobile's intention to buy wholesale access to our fibre network.
- Fixed voice will further decline, but as time goes on this has less and less impact on the overall market performance.
- The pay-TV market should remain relatively stable. Poland still has very strong linear TV. Of course OTT content is growing fast, but it should remain an add-on to linear TV, rather than a significant substitution factor.
- We expect the gradual adoption of eSIMs on the market, starting with wearables, but we see limited impact on the smartphone market by 2020.

- The trend towards digitalisation plays an increasingly important role in all spheres of people's lives, and mobile services are no exception. The widespread adoption of digital solutions such as app-only services, mobile shopping experience or customer care via an in-app chat or bots, will create a totally new level of operator-customer interaction.

All of these trends combined with Poland's favourable economic prospects driving growth of disposable income suggest to us that the telecom market performance should be more benign going forward. We also believe that the strategy adopted by Orange Polska makes it better equipped to capture positive market trends than it was in the past, thanks to three key enablers:

- **Fibre network rollout:** Our significant deployment of fibre network is gradually closing the technological gap with cable operators, and has already contributed to our return to a growth path in fixed broadband
- **Convergence:** Orange Polska is a unique convergent operator in Poland and is pursuing this strategy mainly against cable operators, who so far have not yet adopted mobile services on a meaningful scale
- **Focus on value:** Since 2017 all our commercial decisions have been driven by value creation. In particular, we have radically simplified mobile tariffs and structured them around a “more for more” strategy

On the other hand, we will be under further pressure from negative trends in legacy services and old technologies in fixed broadband. More details on our strategy are presented in the strategy section on page 38.

Orange Polska: a key market player in all market segments

The Polish telecom market is fragmented, both in mobile and fixed segments. So far, consolidation is rather slow and for the most part only taking place in fixed; however, the market seems to be trending towards mobile-fixed combinations. Over the past five years the most notable transaction was the acquisition of the mobile operators Polkomtel by media group Cyfrowy Polsat in 2013. This created a media-telecom group focused mainly on bundling pay-TV and mobile services.

In December 2017 Cyfrowy Polsat announced the acquisition of Netia, the largest alternative fixed operator. This transaction is also pending approval from the Office for Competition and Consumer Protection. According to Cyfrowy Polsat, acquisition of Netia allows Cyfrowy Polsat, among others, to gain access to complementary broadband technology and to enter the new market of large Polish cities. If finalised, the transaction may bring increased competition in the convergence area. However we can also expect that

increased marketing of convergence by a larger number of players will greatly increase its appeal as a market category, boosting demand for this service category.

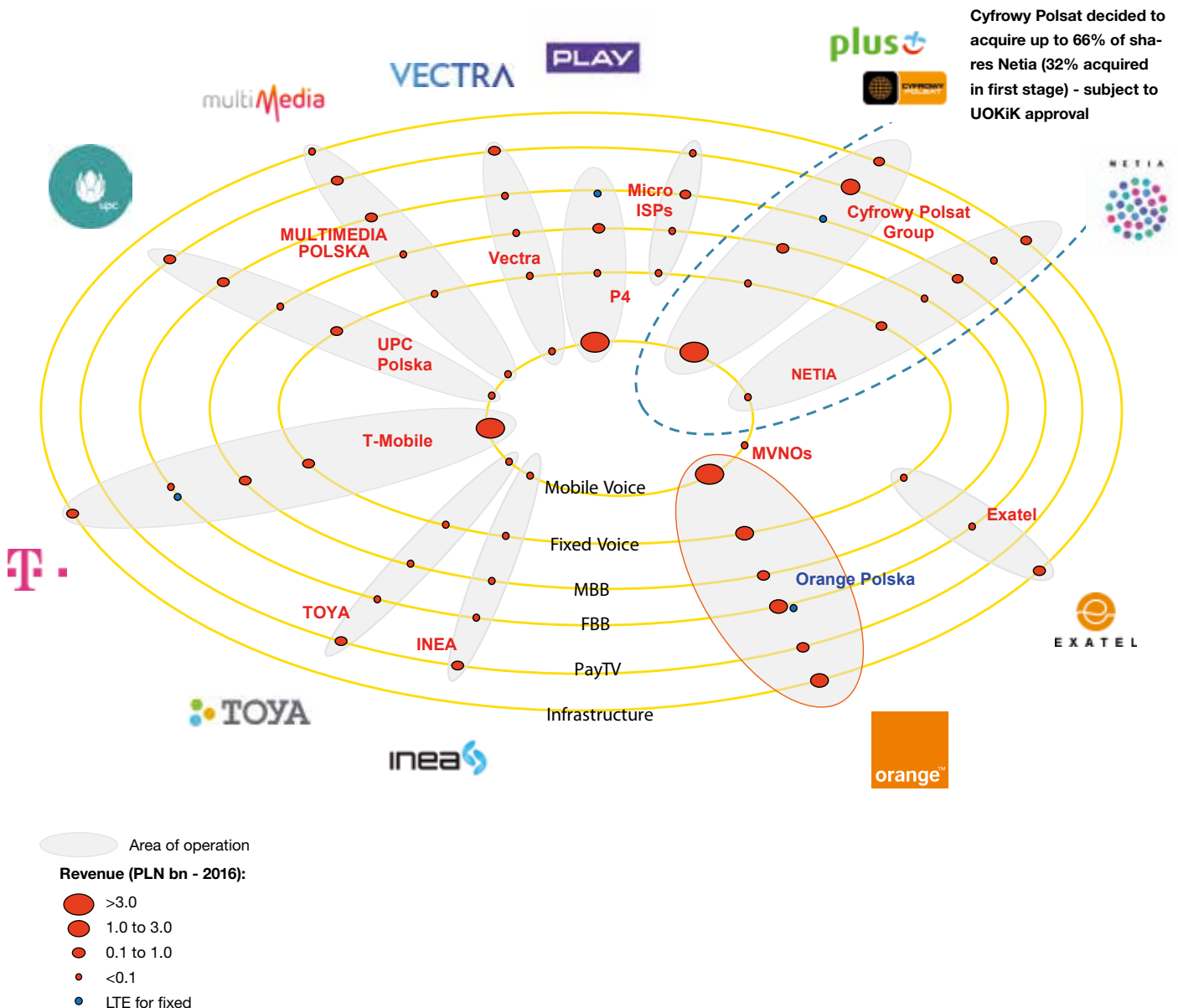
In the fourth quarter of 2016, UPC (the number one cable operator) announced the acquisition of Multimedia Polska (the number three operator). This was supposed to be a major in-market consolidation transaction in the cable industry. However, in March 2018 UPC withdrew its application for this acquisition from the Office for Competition and Consumer Protection. In the opinion of that body, the merger of these cable networks might have created a player with a dominant position in 11 local markets for broadband in-

ternet and pay-TV. According to the media, acceptance of the transaction by the regulator was most likely conditional on UPC's withdrawal from other assets on these markets, and this would force modification of the conditions for the acquisition of Multimedia. UPC's owner did not manage to reach an agreement with the sellers as to the terms of the transaction which would take into consideration these new conditions.

Orange Polska is the largest player present in all segments of the market, the value leader in the mobile market, as well as the volume and value leader in fixed broadband and fixed voice.

Main Players on Polish Telco Market

Note: market view as of March 2018





Social

The standard of living and the employment rate in Poland have moved significantly closer to the EU average, but there are still a number of difficulties. Despite considerable successes, Poland's rate of employment at 69.5% is still lower than the EU average.

The rate of unemployment has continued to fall, reaching 6.9% in January 2018. However, Poland is still facing the problems of rapid ageing of its population and high emigration. The unfavourable demographic trends are already reflected in a decline in the working-age population. The percentage of elderly people in the entire population is expected to grow from 20.9% in 2010 to 58% in 2050,

according to the European Commission's Country Report Poland 2016.

Much progress has recently been made in addressing inequality and poverty. The number of individuals affected by poverty or social exclusion has steadily decreased since 2008.

Digital exclusion is one of the factors leading to social exclusion. Internet access is nowadays not only a convenience, but often a precondition of full participation in social, cultural and professional life. According to the Central Statistical Office (in Polish Główny Urząd Statystyczny - GUS), 81.9% of Polish households had access to the internet (and 78% had a broadband connection) in 2017.

According to the report “Information society in Poland in 2017”, the key barrier to broader internet use is lack of motivation (67.6%) as well as lack of the relevant skills (54.2%). Financial barriers are indicated as the reason for lack of internet access by about 18.7% of households, while lack of technical opportunities at the place of residence is cited by just 0.7%. We can thus surmise that hard barriers (financial or infrastructure-related) have decreased in importance.

The use of the internet and modern technologies varies with social and demographic factors, especially age and education. The internet is used by a great majority of young people and very few seniors. Internet use is also correlated to wealth and size of town, though the role of these factors has been declining.

The average monthly disposable income per capita amounted to PLN 1,598 in 2017 (Central Statistical Office data), which is an increase of PLN 123 versus 2016. It corresponds to approximately 70% of the average for all EU member states and 66% of the average for the Eurozone. The Central Statistical Office stressed the importance of the ‘Family 500+’ programme in its report. On average, this benefit accounted for 16.8% of household disposable income per capita in 2016. In addition, there is a disparity in income depending on urban/rural residence and the industrialisation of the region.

A major issue for the growth of our business is a generational change, which affects both the customer market and the labour market. Each generation has different values and needs and a different attitude towards new technologies. Baby Boomers (1943–1964) have a very distanced attitude to new technologies. They cope very well without modern solutions, which they accept out of necessity rather than choice. For Generation X (1965–1979), the emergence of new technologies was a landmark experience, and they became a means to improve effectiveness and increase productivity. Members of Generation Y (1980–1996) do not remember working without the Internet or mobile phones. For them, new technologies are obvious and natural. For Generation Z (1997–2003), the online world is as tangible as the real one; 97% of them use the internet, 92% use social media and 80% use electronic banking services.

As a telecommunications company, we must respond to the diverse needs of our customers, both the older ones, who are less convinced of the need to adopt new technologies, and the younger ones, who are used to constant online presence and try to keep up with the latest technological trends. Telecommunications expenditure is a permanent component of any household budget, and each customer, regardless of their wallet size, can find a suitable offer for them and their relatives. Nowadays, it is no longer network access itself but rather the ability to use new technologies wisely and safely which has become a social challenge.

Environmental

Orange Polska is sensitive to global challenges related to the natural environment and natural resources. As a provider of telecommunication services we can significantly contribute to reducing the negative impact of business on the environment, so we incorporate initiatives to raise environmental awareness and respect for the environment into our business activities. Within our environmental protection policy we ensure compliance of our operations with the law and other regulations regarding ecology.

We promote environmentally friendly solutions, which help to reduce greenhouse gas emissions through offering services that can replace traditional communications or written documents. Thanks to tele- and video-conferences, electronic document flow, online shopping, e-services, e-invoices and comprehensive ICT systems for business and administration, we make environmental protection part of everyday life. Thanks to monthly sending of electronic invoices to 5 million of our clients, we saved almost 750 tonnes of paper in 2017 and saved 17,000 trees (34 hectares of forest), and we used 55 tonnes less paper and 4 million fewer envelopes than in 2016. Our business activities influence the natural environment through generation of industrial waste such as electronic and electrical equipment, batteries and storage cells, cables and telegraph poles. The disposal of these items is closely controlled.



Internal environment

Corporate governance

Corporate Governance in Orange Polska is designed to provide responsible company management and supervision in order to achieve the company's strategic goals and enhance its value. To these ends, we have created a strong corporate governance framework to support the structures, processes and controls which help us to operate more efficiently and mitigate risk. The ability of the company to create value is ensured by having capable governing bodies with a proper division of responsibilities and optimal representation of experience, skills and education. The sustainability of the company is secured by the ability to allocate fairly and sustainably the created value which is necessary to the company's long-term success. The details of Orange Polska's corporate governance are described in the Corporate Governance chapter of this report on page 84.

Corporate culture

Orange Polska attaches great importance to ensuring equal treatment for all employees, along with clear evaluation and promotion criteria, professional and personal development opportunities, and good and safe working conditions. We aim to create a culture of co-operation, in which all employees feel respected and can freely pursue their professional goals and life passions. Orange Polska conducts re-

gular employee surveys and engages in dialogue with trade unions. We build the foundations that help create a friendly workplace. We take care of employees' safety, health and retirement plans. We provide preventive healthcare, promote sports activity among employees and offer help and support in difficult life situations. We value diversity and believe that skilful diversity management in a workplace creates new opportunities. It is essential for us to foster an organisational culture based on mutual respect for the differences between us.

In 2017 we launched our strategic transformation programme, Orange.one. It concentrates on two key pillars of the organisation: operational results and corporate culture. The first stage of the programme involved a dialogue with employees and a survey on corporate culture. Feedback from our employees helped us to focus on three key priorities for organisational change:

- Focus on customers (we call it, „obsessed with customers”)
- Simplification, focus, speed and agility
- Trusting each other, honest and straightforward.

The details of Orange Polska's corporate culture are described in the “Being a digital and caring employer” section on page 68.





Strategy



Q&A with Jean-François Fallacher, Orange Polska CEO

Q: If you were to mention one key development from 2017, what would it be?

Last year was full of important developments. However, to me absolutely the key one was our announcement of Orange Polska's new strategy which we call Orange.one. I would call it a new momentum. It represents an intensification of our initiatives and articulates the company's strategic vision to 2020. We want to achieve not only a turnaround; we want to establish a business model that will help create value over the long term.

Q: Why do you think that this time you will be successful with your strategy?

When I arrived in Poland, close to two years ago, I endorsed all of this company's strategic directions. These were investments in connectivity, convergence and increased efficiency. While these key directions are largely unchanged in the new strategy, what we would like to mainly improve is execution. We need to do all these things better, with clearer focus, more speed and more agility. My ambition is to introduce greater determination and motivation in achieving our goals.

Speaking about motivation, in order to further motivate our top managers to reach long-term goals, and to link their objectives more directly with the interests of our shareholders, we have introduced, for the first time in the history of Orange Polska, an incentive plan based mostly on Orange Polska's stock price performance. More than 90% of eligible managers have joined this voluntary programme, a clear indicator of their confidence in Orange.one.

In my opinion, both the macro environment in Poland and the dynamics of the telecom market should be beneficial for our plans. Poland's economic situation is very benign, with rapid growth of private consumption and disposable income. As such, we have grounds to assume that the Polish market may head towards some kind of recovery.

I believe that our 2017 results confirm that our strategy is working and our ambitions are realistic. We are now much more balanced between volume and value, we are much more focused in commercial strategy, and our customer proposals are driven by simplicity and consistency.

Q: What do you see as the key risks and challenges to your strategy?

There are always risks and challenges to any plan but the key to success is to manage them well and fine-tune the plans according to changing circumstances. In my view the greatest risk is in the proper execution, and in this area we are aware of the need to learn lessons from the past.

Even though the telecom business is not too closely tied to the wider economy, the current favourable economic conditions are certainly helpful in boosting demand for our services. We also greatly value the stability and predictability of the regulatory and tax environment. This market is very competitive and at times the intensity of the struggle has led to unpleasant surprises. However I believe we are now in a different stage of market development.

We will monitor the risks and not underestimate them, but are determined to succeed as we are confident that we are putting into place the right plans, the right structures and the right resources.

Q: What are the key priorities for 2018?

In 2018 we will continue to follow the priorities set out in Orange.one. We need to execute our ambitious commercial plans, which include capitalising on the new offer portfolio that we introduced in 2017, exploring further potential from convergence, and increasing the monetisation of the fibre project. We want to maintain the speed at which we build our fibre network. 2018 will include the first active year of the Digital Poland Operational Programme (POPC) which, through investment in less urban areas, will contribute to the development of local communities.

Internally, we will continue to transform our business, increase efficiency and also change our culture. Amongst our employees, I am promoting this idea of a cultural change - for all of us, including top management. Empowering employees is a key element of this change: we want to encourage them to take a risk if they feel that it is needed. It is also about focusing even more on our customers, who are our most important stakeholders. We have to work for their benefit, and be obsessed with improving their experience with Orange. In the end, they are the ones that we want to please, not our bosses. Within our organisation, we want our goals and values to be simple and easy to relate to, so that every Orange employee can identify with them. And to achieve this culture change, we must also change the way we communicate within the company, making it clearer and more open.

Q: The notion of 'economic patriotism' has entered the public discourse lately. Is Orange Polska, as part of a global corporation, also a good citizen of our country?

The 'citizenship' of a company is not defined by the country of its owners, but rather the benefits it brings to the country in which it operates, the impact it has on economic growth, the new standards it sets and the jobs it secures. Hence, the attitude of a company to the country where it operates is determined by its actual actions. It is the level of investments and their impact on innovations and GDP that

define the company's contribution to the country's growth. It is important to use local suppliers and service providers, comply with employment standards and pay fair wages on time. Orange Polska meets all these conditions.

The sector in which we operate and its role in the country's development are also of paramount importance. The network access which we offer increases the attractiveness of particular regions to prospective investors, stimulates the development of local businesses and helps to create jobs. The Polish identity of our Company is also defined by its support for issues which are important to our customers and the country where we operate. A perfect example of our concern is the commitment we made in 2017 to connect 4,500 Polish schools to our fibre network within three years, enabling them to use high-speed Internet at 100 Mbps or more. Orange supports the establishment of the National Educational Network, which is to connect all schools in Poland. The project will be financed entirely from Orange Polska's own funds and will benefit schools in all regions of Poland.

Q: How do you see the Polish telecom market and Orange Polska a few years down the road?

I have great hopes that gradually the Polish telecom market will be heading towards some kind of recovery. As the prices are already very low, rather than competing mainly on price, operators will be focusing more on quality of products and customer care.

It is quite obvious that the Polish market, similarly to other countries, will be driven by the digitalisation of all aspects of our lives. I still believe that it will eventually consolidate, as it is quite fragmented. There will be fewer players but more integrated and converged. I believe that Cyfrowy Polsat's pending acquisition of Netia, as well as T-Mobile's intention to buy wholesale access to our fibre network confirm these opinions.

I strongly believe that Orange Polska by 2020 will be a different company. We will not be seen as an incumbent operator any more but rather as a modern, innovative and agile organisation which is highly appreciated by customers and employees, and valued by investors.

Our strategy

Our key strategic goals are:

Return to growth of revenue and profits
Growth of shareholder value

Key trends to shape our business:

Demand for data

Trend towards
convergence

Digitalisation

Fixed to mobile
substitution

High level of
competition

As a result our strategy focuses on:



Connectivity



Convergence



Improving customer
experience



Increasing our
efficiency



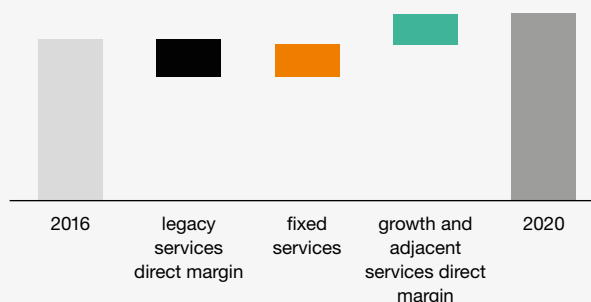
Being responsible

In September 2017 we announced a new strategic plan called Orange.one, marking our new approach to long-term value creation. It represents an intensification of existing initiatives and articulates the company's strategic vision to 2020. Orange Polska aims to become Poland's telecommunications operator of first choice for consumers and businesses, at the same time as creating a business model that will generate sustainable growth in sales and profits.

We still derive a significant portion of our revenues and profits from services which once constituted the core of our operations and which have been in structural decline for a number of years. In order to offset this ongoing pressure on our revenues and create value, we need to invest in the development of business lines with growth prospects as well as exploring unique market opportunities. That is why we are investing heavily in the best connectivity and pursuing a convergence strategy. At the same time, we are radically transforming our operations to be more agile, digital and flexible, with a strong online presence and highly automated processes. Moreover, we are also changing our internal culture. We want to work harder for the benefit of our custom-

ers; to be obsessed with improving their experience with Orange. Culture change at Orange Polska is also aimed at improving the work environment, so that our employees better identify with our goals and values, and gain confidence in their future careers with Orange. Last but not least, our value creation is reflected in our responsible approach to environmental and social matters. Our investments in connectivity make a substantial contribution to the development of Poland's modern, digital society.

Adjusted EBITDA expected evolution 2016-2020





Connectivity – best for fixed and mobile

Convergent network

Customers want fast, reliable and safe broadband access, and from their point of view the technology by which the service is delivered is less important. It is our strongly-held opinion that fulfilling customer needs requires first-class connectivity in both mobile and fixed. Mobile alone will not be sufficient. Fast fixed broadband is necessary to address the data demands of streaming services and heavier and heavier traffic, and at the same time to provide a desirable customer experience on the mobile network. In addition, a substantial part of our operations is dedicated to serving business customers who specifically cannot rely on mobile technology alone.

Fixed – from legacy to future proof fibre

In 2015 we made a strategic decision to invest on a large scale in the deployment of a fibre to the home (FTTH) network. It is structurally improving our competitive position and gives us leverage to win back market share in densely populated areas. It should also be an important lever for our convergent strategy and one of the key enablers of our turnaround ambition.

We have completed 3 years of investments, bringing 2.5 million households within the range of the service at the end of 2017. This put us more or less exactly in the middle of our investment cycle. Our ambition is to cover more than 5 million households by the end of 2020. That number would cover the vast majority of households in big cities and also a significant proportion of smaller cities. It also includes around 370,000 households in more rural areas, where fibre access is covered by the government POPC programme subsidised by EU funds.

The strategy of FTTH network rollout provides not only for the construction of our own infrastructure but also for wholesale agreements with other fibre network operators, where it is technically possible and economically viable. At the end of 2017 our network coverage included around 200,000 households via the infrastructure of other operators.

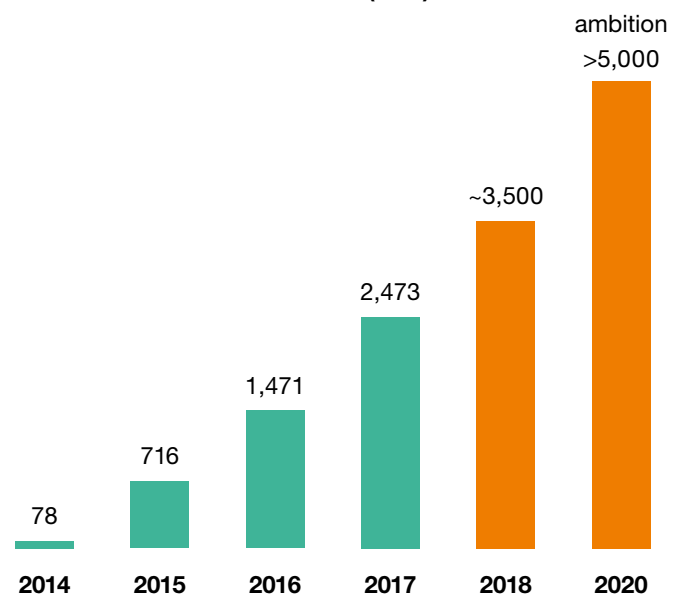
In 2017, we accelerated our fibre deployment. We covered around 1 million additional households, which was considerably more than in 2016. We plan to maintain this pace in 2018. This year's plan assumes more focus on smaller cities and also on single family houses as opposed to multi-family residences. Currently small cities constitute around 15% of total coverage while single family houses constitute less

than 1%. On one hand, single family houses carry a much higher construction cost; on the other hand, we expect much higher demand for our services owing to much lower competition. This expectation is based on our experience so far. In part, we plan to invest in single family houses through wholesale agreements with small local FTTH operators which will be cost efficient.

We will also explore opportunities to better monetise our fibre investment by granting wholesale access to other operators. In December 2017 we signed a letter of intent with T-Mobile for such access.

We closely monitor our fibre network rollout with respect to monetisation: the number of customers and the value they bring. This depends mainly on a level of competition and our sales effectiveness. Investment in fibre is by nature long term, but in our view this is future proof technology, the parameters of which may be easily upgraded if needed.

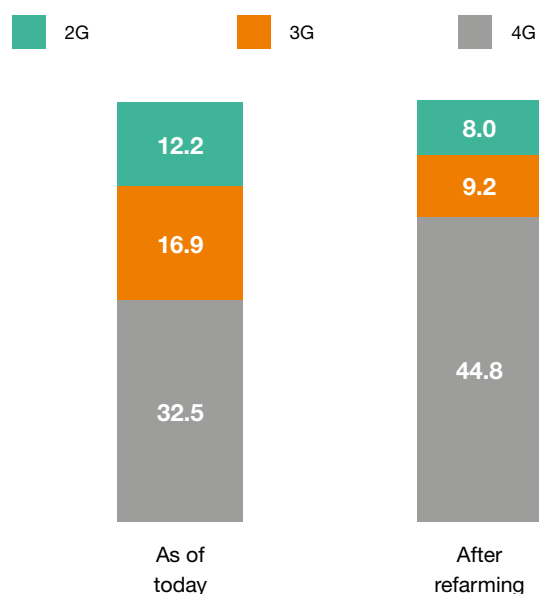
Fibre households connectable ('000)



Mobile – more spectrum on LTE

Our strategic position in the mobile market improved significantly following the 800MHz and 2600MHz spectrum auction that finished in October 2015. Although very expensive, the purchase of two blocks of 800MHz was absolutely necessary for us to be able to offer a competitive service and compete countrywide. The surge in demand for LTE traffic (180% year-on-year growth in 2017) confirms that. By the end of 2017 our 4G/LTE mobile network reached almost the entire Polish population on an outdoor basis and 96% indoors. To accommodate robust growth of demand for LTE traffic, in 2018 we will focus on refarming of the spectrum to allocate more for this technology and decrease the allocation for both 2G and 3G. This will allow us to use spectrum in a much more efficient manner and improve the customer experience.

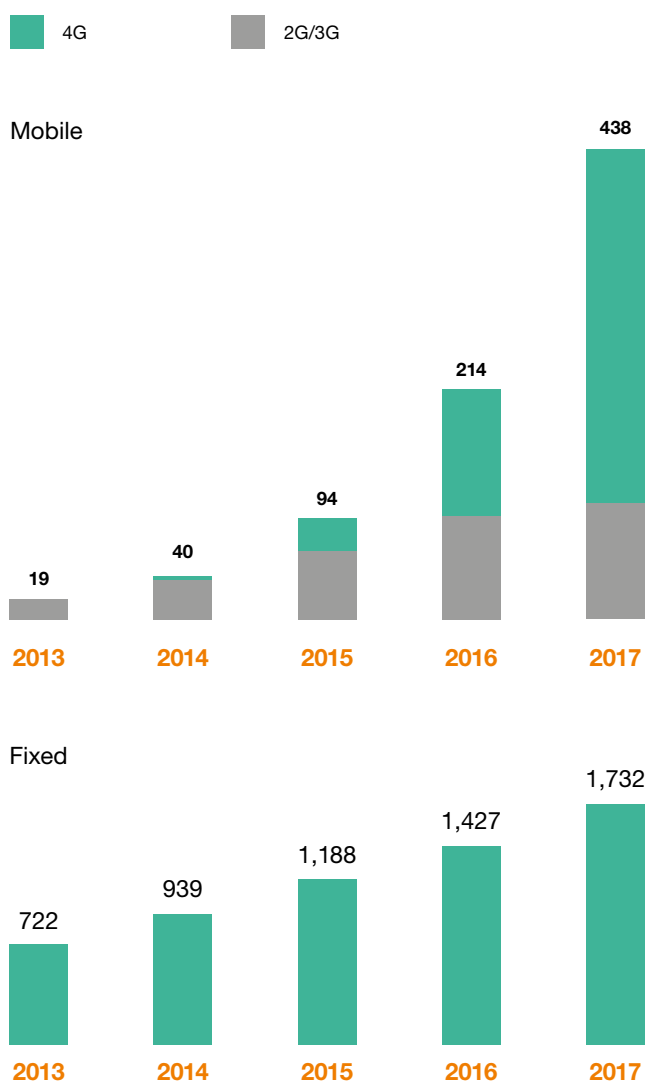
Allocation of mobile spectrum (MHz)



We will also analyse other options to increase spectrum use efficiency, potentially including reshuffling. To strengthen network capacity we continue to pursue spectrum aggregation. Almost 40% out of over 10,000 LTE sites enabled carrier aggregation at the end of 2017 and we plan further substantial progress on that in 2018.

In the years to come 5G technology will become another important topic for our mobile connectivity strategy. This will involve allocation of new spectrum, particularly in the 3.4-3.8GHz band and 700MHz. The timing and the way this spectrum will be allocated is in the hands of UKE and is highly uncertain at the moment.

Mobile and fixed data consumption (PB)





Convergence – consolidating households telecom and media spending

We define ‘convergence’ as delivering a package of both mobile and fixed services, which fulfils the needs of an average household. In our view there is a significant potential for convergence in Poland as the vast majority of households still pay their media and telecom bills to different operators. Consolidation of these bills comes with both convenience and a financial benefit. We know from the example of some European markets (Spain or France) that convergence can be a winning commercial formula. In line with our value and focus approach we made convergence our flagship product for Polish households. At the same time we limited advertising of our mobile only or fixed only offers.

Convergence gives us the following key benefits:

- It constitutes our competitive edge, a key market differentiator. On one hand, cable operators do not offer mobile services on any meaningful scale. On the other hand, our mobile competitors do not invest in fixed access networks.
- It is a good customer loyalty tool. Convergent customers tend to churn a lot less than non-convergent customers.
- It allows us to upsell more services, winning a higher share of household media and telecom budgets.

Orange Love – a new convergent formula

We have pursued a convergent strategy for a few years now. However at the start of 2017 we changed the formula. The previous formula, which we called Orange Open, we based on a pick-and-mix concept. Customers could get a discount on the price of any additional service purchased from us. With market development this concept largely lost its competitive edge. In February 2017 we replaced it with the Orange Love offer: a predefined set of fixed and mobile services bundled together and sold at an attractive fixed price. The basic package can be extended with extra fees for additional SIM cards, higher fibre broadband speed and additional TV content. On top of that we offer a wide range of smartphones at attractive prices. Importantly, Orange Love is available on any broadband technology (fibre and copper) and also on LTE positioned as home broadband. This allows us to market this offer all over the country, which is very efficient.

TV content – an important success factor

An important factor in the success of our convergent strategy is the quality of TV content, which is very important for Polish consumers when choosing a service provider. In 2016

we changed the way we source our TV content both on IPTV and satellite technology. It allowed us to be more flexible in the way we shape our offer and price it. In 2017 we became the first operator in Poland to launch a decoder that allows customers to watch 4K Ultra HD TV. Our TV offer has only recently become fully competitive versus cable operators, which allows us to successfully build perception of Orange as a reliable content provider. We intend to remain a content reseller: our strategy does not foresee any investments in exclusive content.



Improving customer experience – towards digitalisation and a more friendly approach

Building positive customer experiences

The customer is at the centre of everything we do. Therefore, we focus on building positive customer experiences as well as developing strong, long-term relationships with our customers, using modern digital channels.

From product portfolio development and process planning to the right mix of contact channels, we unite all our employees around the common goal of providing Orange customers with a unique experience.

For several years we have been assessing our customers' experiences with the NPS (Net Promoter Score) performance indicator, which is a measure of the loyalty of our customers and the quality of our relationships with them. Our strategic goal is to become the most frequently recommended telecom operator in Poland by 2020. At the end of 2017, we achieved the number two position among telecom operators in the NPS ranking (moving four places up the rankings since 2013), which vindicates our intensive focus on customers and their needs and expectations.

Approach driven by customer journeys

In 2017, we implemented an approach driven by customer journeys – part of a process to transform the entire organisation towards a better understanding of its impact on the customer experience. It is based on a customer journey map, which is the starting point for developing customer excellence.

Customer journey mapping has been the key element in our customer care analysis and a catalyst for changes within Orange Polska. These changes aim to streamline customer care processes and improve the experience of our customers, who in turn recommend our services to others, contributing to the take-up of our services.

In 2017, we implemented a number of solutions which improved customer satisfaction and minimised effort through simplification, automation and digitisation. These included:

- System for self-replacement of SIM cards (unique in Europe): after buying a starter kit, customers can themselves replace their SIM card with one suitable for their handset in a few minutes.
- Implementation of a new policy for using Orange roaming services within the European Union; we were also the first on the market to provide customers with a customised SMS tool which informs them about their limits for calls, SMSs, MMSs and data transfer, facilitating package and cost management.
- New, enhanced architecture of the orange.pl portal: simplified structure and new content make it easier for customers to find the information they seek.
- Remote restart of broadband modems, reducing both the Customer Effort Score and the number of contacts with Orange.
- Single invoice for customers using the Orange Love bundle of mobile and fixed line services, simplifying settlements and payments.
- OK SENIOR Certificate: Orange was the first telecom provider in Poland to obtain this certificate. It confirms the high quality of our customer service dedicated to senior citizens, which addresses the actual needs of elderly people, protects them against fraud and is friendly, understandable and easy to access.
- Automation of customer care processes, reducing the time to complete and eliminating errors in business operations. This type of automation is the prevailing trend among leading companies worldwide and we are one of its pioneers in Poland.

Improved customer experience, thanks to involvement of the entire organisation

Our entire organisation, from line employees to the Management Board, has been involved in reinforcing our customer-centric culture.

On a monthly basis, the Management Board Members and Executive Directors review survey results, identifying the issues which affect customer satisfaction and determining what actions are necessary. Such review meetings are attended by special guests: customers who tell us about their experience with Orange. The key managers reporting to the Management Board monitor the effectiveness of the remedies we implement on a weekly basis.

All managers regularly call customers who expressed their discontent in satisfaction surveys in order to learn firsthand about the problems, so these can be solved in the best way possible.

Each quarter, numerous support function employees and managers spend at least one day on the frontline, observing and assisting in customer care. Such experiences enhance the understanding of the customer perspective across the company.

Furthermore, each employee can get involved in improving the customer experience by participating in “Listen & Respond” clubs, which operate according to continuous improvement methodology. A total of 150 such clubs were active in 2017.

Digitalisation: An increasingly important trend for our customers

Digital transformation plays an increasing role in all spheres of our customers' lives, and this is also the direction in which we are developing. In Poland today, more than half the population uses social media, 34% shop online and more than 50% use internet banking services. Solutions such as app-only services (without a web interface), mobile shopping experiences or customer care via an in-app chat or bots are increasingly widespread. Digital services aim to serve a customer at the moment the need arises, giving them freedom to choose, change, or cancel the service. And by enabling highly personalised offers, digital services create a totally new level of company-customer interaction. Adoption of this trend is strongest among the younger generation: they are early adopters of digital solutions, who actively engage with the brands they love, but also have high service expectations. At the same time, the digital world is seamlessly integrating with the traditional/offline world; the trend is towards an omni-channel approach, where online empowers offline with the ROPO effect (“research online, purchase offline”) and vice versa.



Increasing efficiency

Facing very high competition, ongoing pressure on our top line and the still significant burden of our legacy, our strategy puts a lot of emphasis on improving our efficiency on the cost and capital expenditures side. This area has been given new emphasis with the Orange.one strategy, which puts particular focus on value in all aspects of our activities. Our ambition is to be an agile company, digital and flexible, with a strong online presence and highly automated processes, as well as a proven ability to cut costs and find efficiency savings.

Direct profitability to benefit from value focus

With Orange.one we redefined our commercial approach. It is now much more balanced between volume and value. Orange Love convergent offers allow us to distinguish ourselves from the competition and reach our commercial goals more efficiently. We significantly reduced handset subsidies and optimised our distribution channel mix, which is allowing us to improve direct profitability. To facilitate higher value generation we have simplified and aligned our commercial offers, both convergent and mono, around a 'more for more' approach, cutting down on value-dilutive offers and introducing charges for every additional service. Such a strategy assumes that the level of market competition remains high with some tendencies towards recovery.

Transformation of processes

Our business model is a chain of interconnected processes that allow us to render our services. These processes are usually complex which is partly attributed to the incumbent operator status of Orange Polska. Within the framework of Orange.one implementation we have introduced a comprehensive transformation programme to simplify, and where possible to automate and digitise these processes. As an outcome, we expect savings in operating costs and capital expenditures.

Two examples out of many:

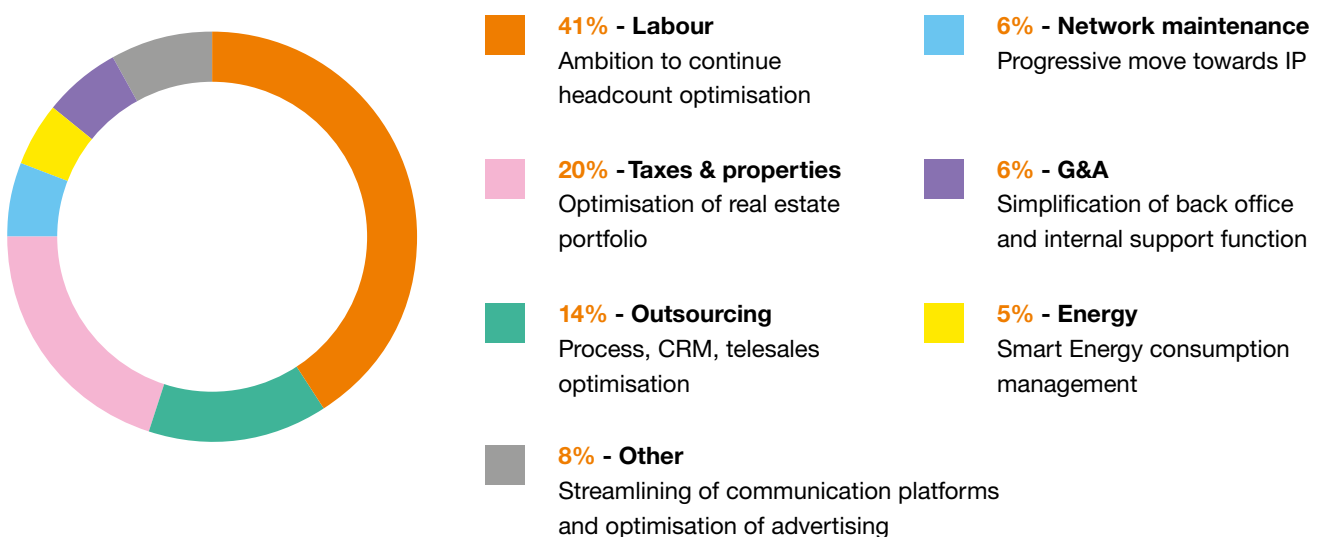
- Automation of service delivery and problem ticketing system for fibre
- Integrated IT platform for sales and customer care, which will allow for much faster customer service for all our products

Ongoing indirect cost optimisations with clear target to reach

We have been optimising our indirect operating costs for many years, generating hundreds of millions in savings every year. We plan to continue this in the years ahead. The savings will come from the above-mentioned process improvements, which are supposed to free resources, as well as from volume optimisations and simplification. We will be more focused and more selective in resource consumption. We plan to tackle all cost categories presented in the chart below. As one of Orange.one financial ambitions we committed to a 12-15% reduction of this cost pool (which amounts to around PLN 4 billion) between 2016 and 2020. This figure is net of potential increases related to inflation, pressure on labour costs and costs related to new business development.

The largest cost category, and at the same time the most important source of savings, is labour. Over the past five years (2012-2017) we have optimised our employment by around a third and we aim to continue. The scale of reductions is always negotiated with our social partners (there are 17 trade unions at Orange Polska). The new social plan, signed in December 2017 and covering the years 2018-2019, constitutes an acceleration of employment optimisation. According to the plan up to 2,680 employees may opt for voluntary departures in these two years, which constitutes 18% of the total workforce at the end of 2017.

OPEX for latest 12 months (through June 2017)





Being responsible

In Orange Polska, we have been successfully implementing a policy of corporate business responsibility in all areas of our business for several years now. Our CSR strategy accounts for the company's business objectives and fits into their implementation. The conclusions from a dialogue with stakeholders as well as market trends and social challenges for our industry in Poland and abroad have been key elements in its development. For us, social responsibility means an organizational culture which takes account of the expectations of employees and other stakeholder groups – customers, investors, suppliers, business and social partners as well as the environment – in creating and implementing our business strategy. We believe that such an approach generates benefits for the company and its environment, leads to long-term development and contributes to the improvement of everyone's lives. Therefore, in Orange Polska we have created a social responsibility strategy which focuses on five areas which are of key importance from the point of view of our sector and our operations on the Polish market. In 2016 we launched the new CSR strategy for 2016-2020. A strong foundation of this strategy is responsible management – our values, ethics and compliance and our dialogue with stakeholders as a tool for understanding their expectations. On this foundation are based four pillars of our CSR strategy:

- **Digital inclusion** - for everyone, regardless of their skills, residence, age or ability, to be able to make use of the opportunities offered by the digital world
- **Safe network** - for the use of the latest technologies to be easy and risk-free
- **Clean environment** - to pursue our business objectives with respect for ecological principles and in harmony with the environment
- **Enquiring team** - to create a culture of co-operation, in which all employees feel respected and can freely pursue their professional goals and life passions.

Responsible management and actions within these four pillars account for our social impact, which is analysed in 6 areas: economy, innovations, customers, environment, communities and employees.

Human rights

Owing to the nature of our business model and supply chain, we follow the human rights policy formulated at the international level by the Orange Group. In addition to the general framework of the International Labour Organization conventions, the Universal Declaration of Human Rights and the Global Impact principles, Orange Group complies with the UN Guiding Principles on Business and Human Rights adopted in 2011.

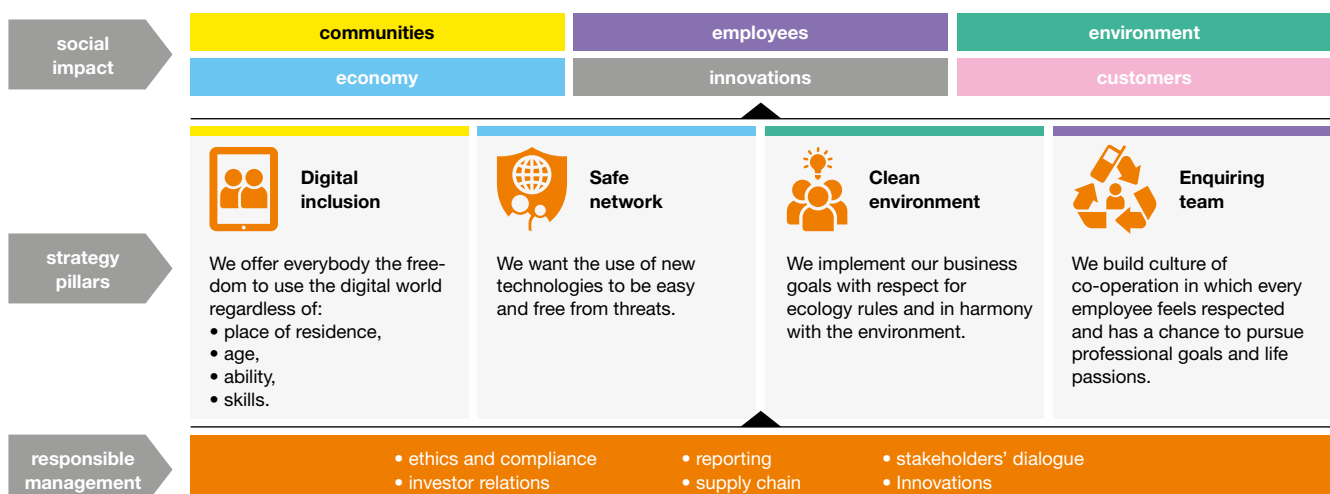
The Group's activities with respect to safeguarding fundamental human rights focus on three main areas:

- Relations with employees;
- Relations with suppliers; and
- Privacy and freedom of expression.

These areas are all addressed in the Orange Polska Code of Ethics. We respect all people and their right to privacy. We accept diversity in terms of background, race, gender, culture, age and marital status as well as religious beliefs, political views and membership of social or professional organizations.

We are currently working on the human rights policy for Orange Polska. Human rights are also an element of a dialogue with our stakeholders. We discussed the issue of equal opportunities regardless of age, gender or ability during our debate on diversity and gender equality (more on p. 68). Rights related to privacy and data protection are covered by our customer safety policy (more on p. 62).

Corporate social responsibility strategy



Key financial goal: return to sustainable growth of revenues and profits

Our financial results have been in continuous decline for a number of years. This is chiefly related to the following factors:

- The necessity to adjust to a very high level of competition, mainly in mobile services, in order to defend market shares;
- Very high exposure to fixed line telephony which is being effectively substituted by affordable mobile services;

- Regulatory regime limiting flexibility in terms of shaping commercial offers;
- Weak fixed broadband infrastructure, mainly in big cities, which resulted in the loss of market to cable operators.

Proper implementation of the Orange.one strategy will lead to the development of a business model which will enable us to break this negative trend and gradually return to growth. Our ambition is to stabilise EBITDA in 2018, stabilise revenues in 2019 and grow both in 2020 in a sustainable way. The expected stabilisation of adjusted EBITDA in 2018 will be the first period of non-decline in 9 years.

| | | 2018 | 2019 | 2020 |
|------------------------|---|----------------|-----------------|--------------|
| Revenue | Growth areas to increasingly offset pressure on legacy | | stabilisation | growth |
| Adjusted EBITDA | To be supported by better revenue trend, operating leverage and continued cost optimisation | stabilisation* | growth** | growth** |
| CAPEX | Reflects connectivity programme and business transformation needs | PLN2.0-2.2bn | PLN2.0-2.2bn*** | PLN~2.0bn*** |
| Net debt | Decreasing from 2019 | | | |

* Under IAS18 / ** Under IAS18 & IFRS 15 / *** ambitions

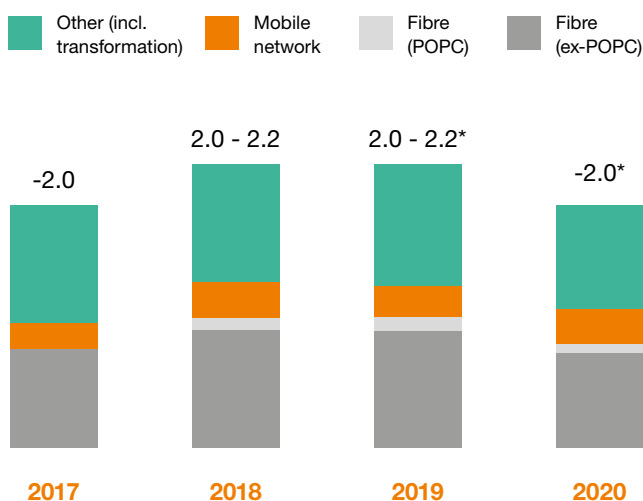
Sales revenues stabilisation in 2019 and growth afterwards will be driven by the following factors: significant growth of convergent customer base and convergent services, more focus on value generation, successful development in adjacent business areas (ICT, Orange Energy, Orange Finance, Orange Smart Care, sales of equipment) and a diminishing share of legacy services in total revenues.

The improving revenue trend will contribute to an improvement in the EBITDA trend, which will also be driven by operating leverage and continued cost optimisation. We forecast a reduction of underlying indirect costs by 12–15% by 2020 versus 2016. Savings will be generated across all cost groups, including labour, outsourcing, general & administrative, energy and network maintenance costs. They will result largely from the comprehensive transformation of Orange Polska's processes at each stage of our business model: networks, products and services, distribution and customer care. The process transformation will aim at simplification, automation and digitisation.

Projected capex reflects our connectivity programme and business transformation needs. Our capex ambition is to

spend at least PLN 2 billion annually by 2020, including around PLN 2.8 billion on fibre network deployment in 2018–2020 to cover more than 5 million households by the end of 2020.

Outlook for capital expenditures (PLN bn)



*ambitions



Results





Q&A with Maciej Nowohoński, Orange Polska CFO

Q: The Company's financial performance improved significantly in 2017. What were the key drivers behind that?

In 2017 we managed to contain adjusted EBITDA decline to less than 5% compared to around 10% in each of the two previous years. I would point to three main drivers of that improvement.

Firstly, we shifted our commercial strategy towards a value focus. Significant reduction of handset subsidies and optimisation of our distribution channel mix allowed us to reduce commercial expenses by 10% year-on-year. An important factor that allowed for that change was the Orange Love convergent offer, which enabled more efficient customer acquisition.

Secondly, we saw considerable improvement in the fixed broadband business. Almost 11% growth in the customer base (as a result of our investments in connectivity and convergence strategy) translated into the kind of revenue growth that we haven't seen in this area for a long time. Thanks to operating leverage, revenue grew faster than costs and contributed to the better EBITDA trend.

And thirdly, we continued to optimise our fixed costs, a process which has been ongoing for many years. In 2017 we reduced these costs by around PLN 200 million compared to the previous year, if we exclude a one-off booked in 2016.

Please note that traditional wireline telephony is in structural decline and continued to put a drag on our results.

Q: What were the main challenges from your perspective in 2017?

I would highlight two factors here.

The first one was related to the changes in roaming regulations within the European Union that came into force in June and affected the entire telecom industry in Poland. Customers have very quickly got used to free roaming. Data consumption in EU roaming in the peak holiday season increased more than twenty times versus the previous year. Unfortunately the higher revenues from incoming traffic were not sufficient to compensate, as the volume of foreigners coming to Poland from other EU countries is much lower than the number of Polish people travelling abroad for business and leisure purposes. As such, this regulatory change had a significant negative impact on our financial results in 2017.

I would also like to mention here some challenges related to our investment process in the rollout of the fibre network. This is a big undertaking that involves huge effort and co-operation with dozens of co-operating companies. In the second half of the year we experienced bottlenecks related

to the capacity of our subcontractors. This was due to significant demand for construction services not only in Poland but also neighbouring countries. Nonetheless we managed to handle this situation well and it did not affect our overall level of capital expenditures.

Q: The EBITDA trend improved; however, it did not translate into better cash generation. Why?

Indeed, cash generation deteriorated more than EBITDA. This was primarily related to much higher working capital requirements than in 2016. A lot of it is related to different timing of benefits from certain developments.

A good example of this is our supply chain financing programme. In 2016 we invited some of our suppliers to enter into reverse factoring arrangements, which allowed us to release a significant amount of working capital and contributed to good cash generation that year. In 2017 we continued this programme and even slightly extended it; however in year-on-year terms the negative change in working capital from that reason was almost PLN 100 million. In 2018, we expect a considerably lower increase in working capital requirement.

Q: What should contribute to the expected EBITDA stabilisation in 2018?

Our ambition is for the year 2018 to be the first without a drop in adjusted EBITDA for Orange Polska in more than a decade. In my view, our visibly better performance last year positions us well to achieve this ambition.

We expect further benefits from our convergence strategy and the monetisation of fibre. Convergence is our unique feature: a source of competitive advantage and at the same time a good customer loyalty tool. We see further potential in convergence which we will explore in 2018. By rolling out our fibre network we are rapidly closing a technology gap with the cable companies. This year we plan to extend our network by another 1 million households. The benefits of this massive investment will be more and more visible in our financial performance. In 2017 we signed a national roaming contract with Play which will be a new source of revenues and profits for us this year. The agreement enables us to better monetise our network investments by guaranteeing a minimum income. These positives should increasingly offset the structural decline in legacy services.

We plan to continue our value-driven commercial strategy but please note that commercial cost savings greatly contributed to better performance in 2017 and this effect cannot be repeated this year. Accelerated optimisation of indirect costs is a necessary condition to stabilise EBITDA. This will be facilitated, among other measures, by the new social agreement that we announced in December.

Q: Why will the new accounting standard, IFRS 15, have a negative impact on the results in 2018?

IFRS 15 is the new accounting standard that we are obliged to adopt in 2018. It concerns recognition of revenues and sales commissions. It impacts only the recognition of revenues when we sell a service with a device (usually a handset) that is subsidised – that is to say, sold below the cost at which we purchased it. For such bundled products, revenues are recognised differently in time: more upfront and less throughout the contract period.

The impact of implementation of IFRS 15 on the financial results versus IAS 18 (accounting standard until 2017) depends mainly on the trend in the subsidy policy. If this trend is stable, the effect is neutral. If level of subsidies is increasing, the impact is positive. Orange Polska significantly reduced handset subsidies in 2017 as a result of the focus on value generation. This significantly contributed to the improvement in our financial results last year. However, because subsidies are now falling, EBITDA under IFRS 15 is lower. We expect that while we maintain our current commercial policy, this impact will be much lower going forward and even disappear.

I admit, the topic is not easy and may raise concerns among our shareholders. Let me stress that this is only an accounting change, without any impact on underlying business trends or, obviously, on cash generation. Moreover, to assure continuity of analysis of past business trends and in order to allow the financial community to track the execution of our long term plans we will also report our financial results for 2018 under the old accounting standard.

Q: When do you think Orange Polska may return to dividend payments?

We are aware that dividends are important for investors especially in the telecom sector, and it is our intention to return to dividend payments in the future. The key condition for this to happen is successful turnaround that will allow us to grow our EBITDA and cash generation on a sustainable basis. As I stated in September when we announced the new strategy, if the turnaround materialises, from today's perspective we could envisage dividend to be paid in 2020 for the results of 2019. However we cannot commit to that today. We will also have to consider potential future investment needs, particularly with respect to 5G technology.



Outputs & outcomes

By following our business model and fulfilling our strategic objectives we deliver unmatched data connectivity for households and businesses and a palette of services adjusted to our customers’ needs. We aim to deliver an effortless and friendly customer experience across all customer touchpoints. Simultaneously we aim to be an agile and flexible company with a proven ability to find efficiency savings. Orange Polska is sensitive to the global challenges related to the natural environment and natural resources. We implement our business goals with respect for the rules of ecology and in harmony with the environment.

| Unmatched data connectivity for households and businesses | Effortless and friendly customer experience | Acting in an effective and responsible manner |
|---|---|--|
| <ul style="list-style-type: none"> • Providing best connectivity <ul style="list-style-type: none"> – reliable and resilient network – best connectivity regardless of the customer’s location • Delivering a palette of services adjusted to customer needs <ul style="list-style-type: none"> – broad portfolio of competitive, telco services, enriched by non-telco products – convergent services – the right products at the right price | <ul style="list-style-type: none"> • Optimal sales channel mix <ul style="list-style-type: none"> – optimisation and enhancement of remote sales channels • Making customer journey easy and friendly <ul style="list-style-type: none"> – simplified procedures and elimination of needless procedures and pain points – problems solved during one contact – high NPS ratio – services accessible to all | <ul style="list-style-type: none"> • Focus on efficiency <ul style="list-style-type: none"> – an agile and flexible company with proven ability to find efficiency savings – constant transformation of indirect costs – process optimisation and automation • Management of impact on the environment <ul style="list-style-type: none"> – business goals implemented with respect for the rules of ecology and in harmony with the environment • Impact on society <ul style="list-style-type: none"> – social investment programmes • Being digital and caring employer <ul style="list-style-type: none"> – investing in employees development |

To help measure our progress on how well we are adding value for our stakeholders and delivering the outputs described above, we use KPIs and success measures presented in this chapter.

Unmatched data connectivity for households and businesses

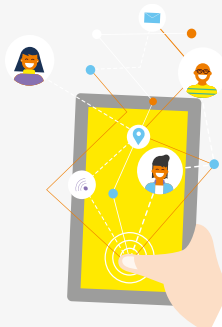
Providing best connectivity

Our commitment

To offer best connectivity, both in mobile and fixed, regardless of geography of customers

To connect up to 1 million of households within the reach of our fibre network in 2017

To further develop our LTE coverage based on the newly purchased spectrum and provide best connectivity experience on LTE



| KPI | Performance | |
|--|---------------------------|------|
| Number of HH connectable within of our fibre network | Number of HH connectable: | |
| | 2016 | 1.5m |
| | 2017 | 2.5m |
| 4G coverage | Outdoor: | |
| | 2016 | 99% |
| | 2017 | 100% |
| | Indoor: | |
| | 2016 | 87% |
| | 2017 | 96% |
| 800 MHz coverage | Outdoor: | |
| | 2016 | 82% |
| | 2017 | 99% |
| | Indoor: | |
| | 2016 | 42% |
| | 2017 | 87% |

Delivery on our commitments in 2017

Connectivity is a vital pillar of our strategy. As the demand grows for greater quantities of data and higher speeds of transmission, investing in the right spread of technologies and maintaining and upgrading our network infrastructure helps to ensure that Orange can continue to attract customers with the promise of fast and reliable services. In 2017 we continued to concentrate our efforts on fibre technology to keep pace with the demand for high-speed broadband, and we expanded our mobile 4G/LTE network to accommodate the explosive growth of mobile data traffic.

Fixed Line

In 2017 we continued massive deployment of fibre access network, by means of which we are rapidly closing the technology gap to cable TV companies. This investment programme, which we initiated in 2015, is one of the key pillars of our return to growth strategy. Last year our network expanded by 1 million new households, far more than in 2016 (755,000). This is a big undertaking, requiring huge effort and cooperation with dozens of partners and suppliers. In the second half of the year we experienced bottlenecks related to the capacity of our subcontractors. This was as a result of significant demand for construction services, not only in Poland but also neighbouring countries. Nonetheless we managed to handle this situation well and it did not

affect our overall level of capital expenditure. At the end of 2017 our fibre network was connectable to 2.5 million Polish households in 75 cities. This number included more than 200,000 households connectable on infrastructure belonging to other operators, where we operate based on wholesale agreements. We made such agreements both in 2016 and 2017. The main benefits include quicker access to the fibre network and more efficient use of the existing fibre infrastructure in the relevant locations. This is in line with the aims of the Cost Directive of the European Commission, which recommends avoiding duplication of the existing facilities. The number of households connectable to VDSL stood at over 5 million at the end of 2017. This coverage did not change significantly compared to our 2016 plans, mainly because we gave priority to the fibre network.

In 2017, the capacity of our backbone and aggregate networks was expanded to enable simultaneous handling of 1.7 Tbps traffic with full redundancy. Furthermore, in pursuit of our policy to provide the best quality internet access in Poland, we secured further key content providers, so that over 50% of internet traffic is available for customers from the nearest regional capitals on the Orange Polska network. Local content distribution enables our customers to access high-quality content without delays caused by transfer from distant locations (sometimes even on another continent), and results in savings on development of international and domestic long-distance lines.

Mobile

Thanks to our ongoing investments in the mobile network, 4G outdoor coverage for all bands was 99.8% of population on 97.7% of Poland's territory as of the end of December 2017. While our main focus in 2016 was on outdoor coverage, in 2017 we significantly improved indoor coverage, in terms of both population and territory. LTE services were provided by Orange Polska via over 10,200 base stations, compared to 8,500 at the end of 2016. In 2017, in addition to gradually expanding network coverage and capacity, Orange Polska focused on increasing the number of sites enabling spectrum aggregation, their number reaching 3,916 on December 31, 2017.

In 2017 Orange Polska decided not to extend the licence for the 450 MHz spectrum. As a result, the CDMA 450 network was finally switched off in April and commercial services based on the related technical infrastructure were discontinued. Orange Polska customers who had used CDMA services were migrated to new products and xDSL offers.

Following the launch of the VoLTE service in 2016, in the first half of 2017 Orange Polska introduced a Wi-Fi Calling service, which enables customers to make calls via any Wi-Fi network outside mobile network coverage.

LTE outdoor coverage evolution

| | Geographical Coverage | Population Coverage | System |
|-------------|-----------------------|---------------------|---------------|
| 31 Dec 2016 | 90.21% | 99.06% | All LTE bands |
| 31 Dec 2017 | 97.67% | 99.80% | All LTE bands |

LTE indoor coverage evolution

| | Geographical Coverage | Population Coverage | System |
|-------------|-----------------------|---------------------|---------------|
| 31 Dec 2016 | 57.33% | 87.24% | All LTE bands |
| 31 Dec 2017 | 83.58% | 95.93% | All LTE bands |

Delivering a palette of services adjusted to customer needs

Our commitment

To offer a full palette of services, enriched by non-telco products, to strengthen our position as the unique convergent player in Poland

| KPI | Performance |
|---|--------------|
| Number of convergent customers ¹ | 2015 574k |
| | 2016 835k |
| | 2017 1,306k |
| Number of mobile SIM cards | 2015 15,867k |
| | 2016 15,799k |
| | 2017 14,424k |
| Number of mobile post-paid SIM cards | 2015 8,322k |
| | 2016 9,262k |
| | 2017 9,726k |
| Number of mobile pre-paid SIM cards | 2015 7,545k |
| | 2016 6,537k |
| | 2017 4,698k |
| Number of fixed retail broadband customers | 2015 2,144k |
| | 2016 2,206k |
| | 2017 2,438k |

¹ Since 1Q'17 convergent customer definition has been modified and reflects only a combination of fixed broadband (incl. wireless for fixed) and mobile handset offer, with financial benefit



| KPI | Performance | |
|--|-------------|--------|
| Number of fibre customers | 2015 | 17k |
| | 2016 | 88k |
| | 2017 | 214k |
| Convergence penetration in B2C fixed broadband customer base | 2015 | 25% |
| | 2016 | 35% |
| | 2017 | 50% |
| Convergence penetration in B2C mobile handset customer base | 2015 | 17% |
| | 2016 | 24% |
| | 2017 | 37% |
| Number of Fixed Voice Customers | 2015 | 4,194k |
| | 2016 | 3,932k |
| | 2017 | 3,684k |

Delivery on our commitments in 2017

In 2017 we made significant changes to our commercial strategy, introducing more balance between volume and value. We have also made our customer offers much more focused and simpler. This approach had a clear impact on the performance of our convergence and mobile post-paid offers in particular.

Convergence: A new approach

We have been pursuing a convergence strategy for few years, but in 2017 we gave it a new dimension. Convergence is our unique feature, a source of competitive advantage and at the same time a good customer loyalty tool. The Orange Love offer, which we introduced in February, is based on a new formula. Instead of discounts on each additional service purchased, customers are now offered a predefined set of services ("a hard bundle"). The basic package includes:

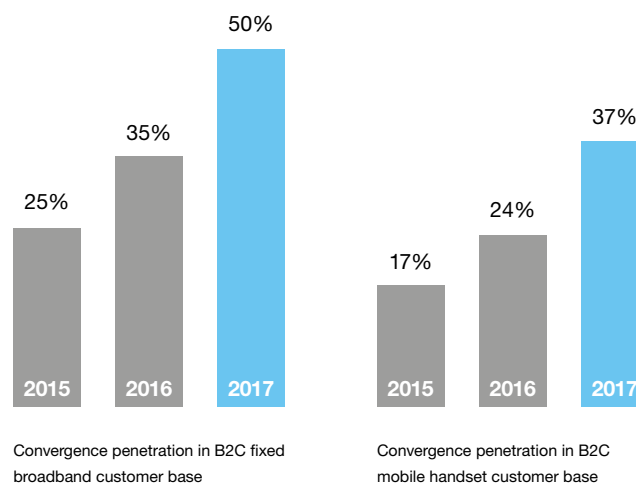
- broadband access via copper, fibre or "wireless for fixed" technology
- TV package of around 100 channels
- mobile post-paid service with unlimited calls and SMSs plus a 5 GB data pool
- home phone.

The price of this basic package is fixed and the same all over the country, making it easy to communicate and easy for customers to understand. It can be augmented with additional services including more SIM cards or richer TV content. A broad portfolio of smartphones is available to supplement the offer, on installment schemes. The launch of Orange Love was accompanied by an intensive marke-

ting campaign, establishing it as our flagship offer for Polish households. At the same time we limited advertising of our mobile only or fixed only offers. The commercial results confirm that Orange Love has been well received by customers. By the end of the year the offer take-up approached 600,000. Currently a significant number of mobile and fixed broadband service sales are made in the convergent bundle formula.

At the end of December 2017, our total convergent customer base reached 1.306 million (including 1.035 million B2C customers), which is an increase of 471,000 (or 56%) compared to the end of 2016. The total number of services provided in the convergence scheme among B2C customers is almost 4.2 million. On average, each convergent individual customer uses four Orange services.

Growing convergence penetration



Convergent base ('000)**Post-paid mobile: Radical simplification and alignment around “more for more” strategy.**

At the end of August 2017, we radically revised our consumer market offers to make them much simpler, while increasing value generation. For example, the number of mobile voice tariff plans was cut, from 18 down to 4 simple plans. In addition, value-dilutive offers, rebates and promotions were cancelled. We have introduced a charge for every additional SIM card. Both mobile and convergent offers are now structured around a “more for more” approach.

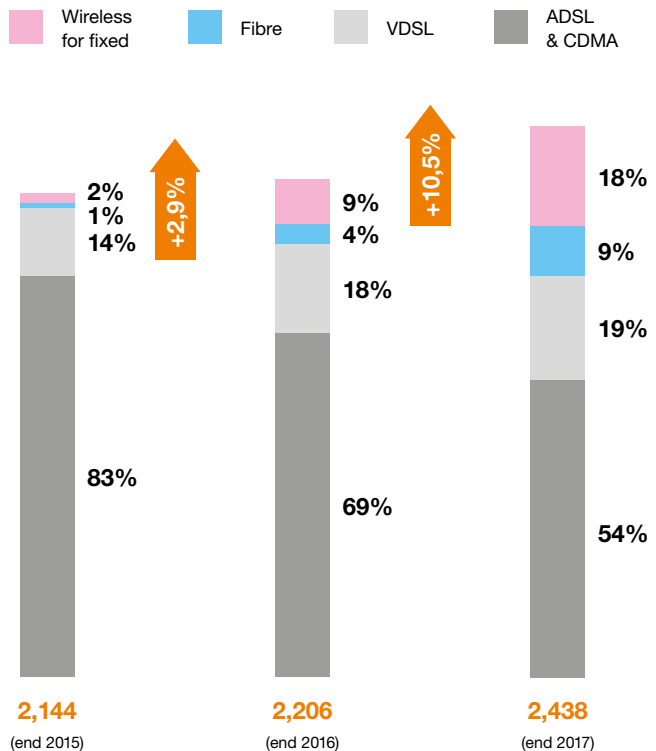
In the post-paid segment, the number of SIM cards increased by 5% compared to the end of 2016. Sales of handset offers increased by 6%, a smaller increase than in 2016 as a result of the shift in our commercial strategy (from focus on volume to a more value oriented approach), as well as concentration of our customer acquisition activities on the Orange Love convergent offer (over 40% of new B2C customers purchased their mobile voice service in a bundle with fixed broadband). Conversely, the number of mobile broadband services decreased, following several periods of substantial growth. This was due to increased popularity of “wireless for fixed” broadband offers, as well as growing data pools for smartphones in mobile voice tariff plans. We expect this trend to continue in 2018.

The pre-paid segment saw a sharp decline (-28%) in SIM cards, since the introduction of the card registration obligation resulted in a much lower number of new card activations. In addition, card registration by customers accelerated migration to post-paid. However, as the vast majority of new pre-paid activations are low usage one-time activations, the reduction did not affect our financial performance in a material way.

Fixed broadband: A spectacular rebound

Significant investments in fibre network rollout and in our mobile LTE network, combined with an attractive convergent offer, delivered a spectacular rebound in fixed broadband. The customer base grew by almost 11%, the highest annual increase in a decade. Decline in legacy technologies (ADSL and CDMA) was offset by growth in VDSL, fibre and “wireless for fixed”. This effect intensified during the year. The share of these growing technologies in the whole customer base increased to 46% at the end of 2017 (from 31% at the end of 2016). Close to 2.5 million households were in the range of fibre at the end of 2017, making the fibre

service available in 75 cities, and in 21 of those Orange is present in more than 50% of households. The number of fibre customers increased by 143% and reached 214,000 at the end of 2017.

Fixed broadband customer base (in '000)

2017's successful results in fixed broadband were also driven by our pay-TV offer, where Orange Polska improved its reputation as a reliable content provider both in IPTV and DTH technologies. The TV customer base also increased by 11%, the highest growth rate in five years. This was a consequence of numerous improvements we have made to the TV offer over the past two years. In February 2017, the launch of the Orange Love offer was accompanied by the introduction of a new set-top box with expanded functionalities. In addition to improved menu ergonomics, the decoder enables recording of up to three programmes simultaneously and watching 4K TV. This made Orange Polska the first nationwide pay-TV operator to provide content at 4K resolution.

Fixed voice services: unfavourable trends continue

Erosion of the fixed voice customer base (excluding VoIP) totalled 411,000 in 2017 and was higher than in 2016 (312,000). The decline can be attributed mainly to structural demographic factors and the growing attractiveness of mobile services with unlimited calls to all networks. It is also a result of our convergence strategy, which stimulates partial migration of customers to VoIP. Revenue erosion was 13%, remaining at a similar level to last year. We expect the downward trend in fixed line to continue in subsequent periods.

Effortless and friendly customer experience

Optimal sales channel mix

Our commitment

To make it easy for our all customers to access our products and services through different channels of contact



| KPI | Performance | | |
|--|-------------|-------------|-------------|
| Number of POSs | 794 2015 | 755 2016 | 739 2017 |
| Number of POSs adjusted to customers with disabilities | 2015 157 | 2016 157 | 2017 155 |
| Number of Smart Stores | 2015 8 | 2016 12 | 2017 14 |

Delivering on our commitments in 2017

Optimisation and enhancement of remote sales channels

Our key objectives include further development of our online sales channel and cross-channel initiatives as well as the optimisation and modernisation of our sales outlets to align with market and consumer demands, as this is directly reflected in customer satisfaction and further efficiency gains.

In 2017 we started to implement a new strategy for the POS channel. The optimisation and modernisation of our shops will allow us to adapt to new market trends and changing customer preferences, which in turn will lead to higher customer satisfaction and greater sales. We are replacing the current five shop formats with just three: compact, standard and Smart Stores. Compact and standard POS mainly vary by area and number of sales desks; in addition, standard stores have a product stand for live demos and a dedicated sales desk for business customers. In 2017 we added two more new Smart Stores: convenient, friendly and innovative spaces where customers can settle any matters related to our telecommunication services. We also continued the process of closing under-performing shops. As a result the total number of points of sale, either our own or operated by agents, was reduced to 739 at the end of 2017. However, this number is greatly expanded by chains of independent distributors, such as Media Markt, Saturn and Neonet. Co-operating with them gives the Orange brand a presence in 659 additional points of sale, offering a complementary service to consumers interested in buying a device.

Throughout 2017, we also continued running a network of 38 Fibre Shops. These are stores located close to housing estates within the reach of our FTTH network, which com-

bine profile-raising and sales functions for our fibre offer. The number of Fibre Shops remained unchanged compared to a year earlier; however by nature these are portable outlets, usually put in place for three to six months after the network rollout is completed in a given area.

Our sales strategy is driven mainly by our customers' evolving purchasing preferences and the shift to digital channels. In order to address this trend, we focused on improving the online customer experience, upgrading the Orange portal and the My Orange mobile application. Our strategic ambition is to make online the first-choice contact channel for customers to search and buy Orange services. That is why we introduced new sales tools on our website, as well as a more responsive design. We also implemented the new version 4.0 of our mobile application, providing users with an editable dashboard, a new offers section, dynamic banners with personalised offers as well as additional functionalities (e.g. book appointment at an Orange POS). We continued to work on digital innovations that support our sales strategy. In 2017 we added new chatbot features on Messenger to drive conversational digital commerce.

Co-operation between all our contact channels has allowed us to gradually implement cross-channel solutions which ensure a uniform, seamless customer experience regardless of the channel. The telesales channel is used to contact customers (mainly for retention and cross-selling), while the product and agreement are subsequently delivered by courier free of charge, or picked up in store. In addition, following our considerable investments in the FTTH network, we have continued to develop our door-to-door sales channel, which is the most effective way to compete with cable operators.

Making the customer journey easy and friendly

Our commitment

To improve the customer experience by offering attractive products and services, accompanied by improvements in customer service and sales channels, both traditional and online

To be innovative and flexible in responding to our competitors' moves

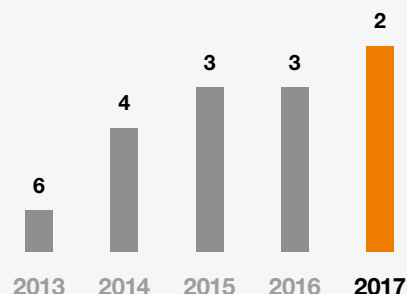
Guarantee of security for Internet users at Orange Polska network

KPI

Performance

NPS position

Evolution of NPS position



Numbers of activations of our safety solutions

324,000

customers protected by CyberShield in 2017

Delivering on our commitments in 2017

Focus on continuous improvement in customer experience

In 2017 we achieved our NPS objective. Currently, we are in a group of operators ranked second in the market. Customers have growing confidence in us, which produces tangible benefits for the company.

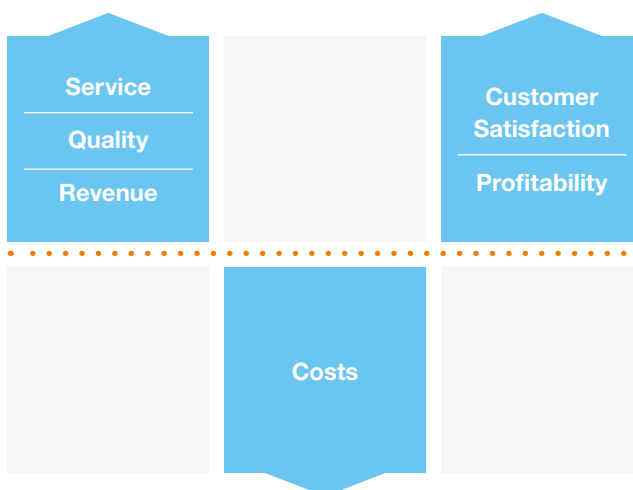
The increase in our NPS and our rise to the number two position have followed growing sales of our fibre services and Orange Love bundle, as well as specific improvements in the customer experience. These have included the simplification of both mobile and fixed line offers, the launch of the first 'Roam-Like-at-Home' offer on the market, automation of selected processes, customer care compliance with the COPC (Customer Operation Performance Center) international standard and increased coverage of our mobile and fixed line networks (over 10,000 LTE base stations and approx. 2.5 million households and businesses connectable with Orange fibre). We are the only telecom in Poland to hold the 'OK Senior' certificate for our infoline service dedicated to senior citizens. Furthermore, we have won the Top Quality Customer Care in Remote Channels Award for our customer service through a call centre, chat, 'Our Orange' community and 'My Orange' mobile app. This vindicates the process of our transformation and our daily commitment to building customer satisfaction and loyalty.

Top standards in customer relationship management

For four years we have maintained the international COPC (Customer Operations Performance Center) certificate,

which through annual audits confirms our high efficiency and top standards in customer care management.

Compliance with the COPC standard contributes to continuous quality improvement and customer satisfaction growth, as well as increased sales and cost optimisation.



The Orange Polska Group is the leader in implementing the COPC standard in Poland, and according to auditors, "compliance with standards is part of Orange Polska's corporate DNA."

An enhanced release of the standard, COPC CX 6.0, was published in 2017. According to the new standard, the customer experience must be consistent in all customer journeys and across all communication channels, both assisted and unassisted (i.e. IVR, e-care and 'My Orange' app).

The COPC recertification has confirmed that we comply with the updated standard, providing customers with a consistent experience regardless of the contact channel they choose.

In the auditors' opinion, we have very effective methods for identifying, reviewing and implementing improvements in Orange Polska through all customer service channels.

As a result of our initiatives, we have significantly increased service quality, customer satisfaction and operational efficiency. Over 90% of our customers are satisfied with Orange Polska's customer care, and nine out of ten issues are resolved at first contact.

Coherent communications

Our instructional videos, available on both Orange Polska official YouTube channel and orange.pl website, are an easy and popular way to access customer service information. In 2017, our 200 videos were played nearly 1.9 million times.

We have introduced a new, consistent standard of customer service articles for both customers (at orange.pl) and employees of Orange Polska. Due to customers' time constraints and their habit of scanning the content and reading only selected portions of on-line texts, we now follow some uniform rules while writing articles. These include using short, concise sentences, highlighting important information and adding an interactive menu on the right. Customer service articles are contextually presented in the Omni system, a system for sales and customer care management available to both customers and employees.

User-friendly contact channels

We offer a wide selection of contact channels, which we constantly improve to better meet the expectations of our customers.

In 2017, we introduced further improvements:

- We provided customers with a new version of the 'My Orange' on-line self-service system. Rather than having separate accounts for mobile, fixed-line and broadband services, customers can now view all their Orange services in a single place. They can also replace a SIM card themselves, check information about their current agreement and prolong payments or break them into instalments. The new system has also been adapted to mobile devices.
- We increased the share of customers using assisted digital channels (chat, click2call) from 5% to over 10%. This indicates that using self-service solutions prior to contacting a consultant is increasingly popular among our customers.

- We expanded the 'Our Orange' social platform to include gamification and promotion mechanisms. As a result, the number of customers visiting it monthly increased by 63% in 2017. According to a customer survey, customers choose to solve their problems using this contact channel instead of calling an infoline or visiting an outlet. In addition, we added the 'Ideas' section, where users can submit and vote on concepts for development of Orange products and services.
- Taking into account the opinions expressed during a customer survey, we changed the IVR voice-over to enhance the quality of customer experience in contacts with our call centre.
- In selected Smart Stores we enabled customers to use video-conversation as an alternative customer service option. Customers appreciate, and often choose, this modern form of contact with our consultants. They perceive it as equivalent to a face-to-face contact. Because of positive customer feedback, in 2018 we intend to increase the number of outlets offering this option.

Modern CRM systems

In order to enhance customer satisfaction and reduce operating costs, we have replaced all the existing sales and customer service support systems with a single, uniform tool for customer relationship management (CRM), the Omni system, which combines the fixed-line and mobile realms. As a result, we can check the customer's data and portfolio in a single place rather than using several systems simultaneously.

Another advantage of the system is the fact that our sales and customer care staff can carry out processes in Omni in the same manner as customers do when logged on to 'My Orange'. This facilitates customer communication with Orange and contributes to more efficient and intuitive management on both sides (i.e. customer and employee).

By implementing the new system we have also standardised the scope of customer care offered in all sales outlets. Moreover, owing to new system functionalities, such as pre-paid offer handling, we significantly increased first contact resolution (FCR) in 2017.

The next step, which will soon help to further streamline customer relations, will involve a single knowledge base. This will be also made available to both employees and customers. By providing context-based content and articles, the knowledge base will facilitate handling of contacts and execution of sales and customer care processes. The content will be the same for both parties, which will significantly enhance the quality of communication.

Contact Channels



POS

- Showrooming
- Try or test products
- Buy products and services
- Obtaining information
- Pick up order
- Customer care



Online

- Product reviews and comparisons
- Price and availability
- Discover new products
- Offers and promotions
- Customer care



Mobile

- Price and availability
- Offers and promotions
- Mobile applications
- Location based services
- Customer care



Call Centre

- Product and payment information
- Request changes in services and the account
- Buy new services and renew the agreement
- Customer care (complaints, technical issues, payments)
- Discuss any service-related problems with a consultant



Social media

- Product and services information
- Share experience
- Demand information
- Customer support (not related with account details)
- Demand opinions

Personal data security

We control a vast amount of customer and employee data. Personal data are one of the categories of confidential information which, together with data protected by the telecommunication secret and proprietary information, are covered by our Information Security Management System. This system complies with the ISO 27001 international standard, for which we hold certification.

At each stage of data collecting and processing, we ensure that customers are informed about the purpose and scope of data processing, as well as their right to access and rectify their personal data. No fines were imposed on the Company for breach of personal data protection regulations in 2017.

In 2016, we launched a programme to prepare the organisation to meet the requirements of the General Data Protection Regulation (GDPR), which will become applicable in May 2018. At present, the implementation of the new solutions in this programme is in its final stages.

Data security

Rapid development of new technologies is accompanied by new forms of crime, a danger which most customers are not capable of coping with themselves. We try to counteract these threats, guaranteeing the security of our services to users and offering them essential knowledge on how to use our services safely. We carry out educational campaigns regarding the internet, we provide technological tools to strengthen data and system security and we monitor threats to internet users, particularly children.

Monitoring online threats is the responsibility of CERT Orange Polska. This team responds to threats as they show up and supports Internet users. In 2017, the systems monitoring the Orange Polska network recorded as many as 10 billion incidents monthly, out of which 1,000 could be considered actual security incidents.

The most frequently analysed incidents were related to “dissemination of offensive or illegal content”, including phishing and spam. This category accounted for almost half of all incidents. Another significant group (almost 20%) was DDoS / DoS attacks, which involve flooding the attacked system with massive amounts of data. CyberShield, a proprietary solution to protect Orange Polska’s network users, protected over 320,000 customers in 2017. The most frequent threat detected was ransomware, and 119,000 customers were effectively protected against it.



Acting in an effective and responsible manner

Focus on efficiency

Our commitment

To be an agile and flexible company with proven ability to find efficiency savings; constant transformation of indirect costs

Process optimisation and automation, IT spending optimisation as well as facilitation of commercial initiatives, especially in convergence

KPI

Indirect cost



Performance

Indirect cost (PLN mn)

| | |
|------|-------|
| 2015 | 4,201 |
| 2016 | 4,007 |
| 2017 | 3,903 |

Delivery on our commitments in 2017

Orange.one strategy gave new dimension to the efficiency area at Orange Polska. All our business decisions and actions are now driven by value creation. Our ambition is to be agile company, digital and flexible, with strong online presence and highly automated processes, as well as proven ability to cut costs and find efficiency savings. This approach has been reflected in the commercial activity and financial results.

In 2017 we have redefined our approach to commercial strategy. We have become more selective and more balanced between volumes and value. We radically simplified our commercial offers (e.g. reducing the number of mobile voice tariffs from 18 to 4) and clearly focused on pushing convergence as the key commercial offer at the same time significantly reducing handset subsidies. This approach resulted in much lower volume of customer acquisition and retention transactions bundled with handsets, optimisation of the distribution channel mix and significant savings in advertising and promotion costs, all of which contributed to over 10% reduction in commercial costs, the largest cost category. Despite ongoing pressure on our legacy business

we managed to limit the decrease in the direct margin (revenues minus direct costs of business) by half versus 2016. Our indirect costs continued to be optimised. They were down 4.8% year-on-year in 2017 or PLN 200 million (on underlying bases, i.e. excluding the one-off in labour costs booked in 2016). This is in line with our ambition to reduce them by 12-15% by 2020 vs 2016. In 2017 we completed realisation of the employment optimisation plan for 2016-2017 and signed a new much more ambitious Social Plan covering 2018-2019. In 2017 we continued and benefitted from initiatives introduced in 2016 e.g. car fleet and postal costs optimisation. Examples of the cost savings initiatives introduced in 2017 include:

- Consolidation of commercial activities through reduction of the number of commercial periods in the year facilitated through focus on convergence and limitation of sponsorship programs
- Savings on energy costs due to negotiation of prices and various optimization initiatives to limit power consumption level
- Lower costs of physical security - mainly due to further deployment of e-key
- Optimization of technical partners costs

Management of our impact on the environment

Our commitment

To implement business goals with respect for the rules of ecology and in harmony with the environment: optimization of energy use in the following areas: real estate, infrastructure and network, Data Center, supervision over Orange Polska's impact on the environment; increase in number of recycled, re-use and refurbished devices



* change in reporting for year 2016

Delivery on our commitments in 2017

Orange Polska has adopted an environmental policy that defines the company's key areas of use of natural resources and our impact on the environment. Appropriate supervision of our operations is ensured by our Environmental Management System, which is consistent with the ISO 14001 standard for mobile telephony services.

These safeguards allow us to:

- oversee the processes which may affect the environment in compliance with legal requirements and other environmental regulations;
- identify our negative impact on the environment;
- account for environmental issues while setting objectives and making decisions as well as carrying out initiatives reducing our impact on the environment;

| KPI | Performance |
|---|---|
| Energy consumption | Energy consumption (GWh) |
| CO ₂ emission | 2015 635 |
| | 2016 588 |
| | 2017 581 |
| | CO ₂ emission (tones) |
| | 2015 505,000 |
| | 2016 475,000 |
| | 2017 465,000 |
| Certification of the ecological management system | Maintaining ISO 14001 in the mobile segment |
| Number of recycled and refurbished devices* | Collected and recycled phones |
| | 2015 63,589 |
| | 2016 77,542 |
| | 2017 42,869 |
| | Refurbished and relaunched phones |
| | 2015 9,318 |
| | 2016 11,839 |
| | 2017 8,138 |
| | Refurbished and relaunched devices |
| | 2015 437,629 |
| | 2016 571,981 |
| | 2017 465,994 |

- monitor the compliance of electromagnetic emissions with the relevant standards;
- attempt to reduce CO₂ emissions related to our activity;
- improve our business practices and apply technological solutions to reduce negative environmental impact;
- engage in dialogue with stakeholders and inform them about our environmental protection initiatives;
- raise environmental awareness among our employees and customers;
- cooperate with our suppliers to ensure their compliance with our environmental policy

Use of new technologies is a huge opportunity on the one hand, in terms of economic and social development and finding more eco-friendly solutions; on the other hand, it presents a challenge when it comes to the rapid obsolescence of products and increased demand for energy. It poses a problem about what to do with devices that are no longer wanted and

provokes us to think about eco-efficiency inside the company as well as relations with our suppliers. It also means educating customers and encouraging them to return ICT devices they no longer use.

All our energy saving initiatives, including some designed by our own employees, have been combined into a single programme, 'Energy Optimisation' which among others involved replacing equipment and technologies for more energy effective, changing network configuration and setup. To date, Orange Polska has launched almost 130 such initiatives, which generated total energy savings of 256 GWh between 2014 and 2017, only in 2017 - 111 GWh, which contributed to a general decrease in energy consumption by 7 GWh (after the completion of all projects, the savings will amount to 139 GWh per year). It means an overall reduction in carbon dioxide emissions of 171,000 tonnes. In 2017 CO₂ emission was reduced by 9 600 tons. As a result of these actions, the company's total electricity consumption decreased by 7.5% in 2014- 2017, despite our investments in the development of new services.

We try to reduce the amount of materials we use in our operations and to reuse them rather than dispose of them. We encourage our customers to recycle old mobile devices: a buy-back programme for unwanted mobile phones is one of our key environmental initiatives. It is also possible to get rid of old mobile phones and accessories, free of charge, in Orange stores.

Multimedia devices, such as modems, settop-boxes are leased to customers for the term of their telecommunication service agreements. Thanks to that, products which are not yet at the

end of their life cycle can be issued to other customers, avoiding the need to purchase new ones. In 2017, 218,794 modems, broadband and CPE devices have been refurbished and reintroduced onto the market, accounting for around 30% of the total number in circulation in Poland. On top of that, 247,200 pieces were refurbished by Orange Polska on behalf of Orange France, which represents about 10% of returned devices in France. With help of our service partner, we also refurbished and put back into distribution over 8,000 mobile devices, both smartphones and tablets.

The number of handsets collected from customers decreased in 2017. This was a result of a change in our approach to the recovery of used handsets from the market. The 'Eco-schools' project, which involved collecting redundant phones in schools, came to an end. Instead, the Company is developing a comprehensive bonus system for customers returning their old phones. Moreover, the number of refurbished devices also decreased following the termination of the refurbishment project for the Romanian market.

In order to plan new environmental initiatives, Orange Polska hosted a dialogue on the circular economy last year. A total of 39 stakeholders, including representatives of public institutions, NGOs and businesses as well as the Company's employees and managers, attended individual interviews and workshops. We spoke about the environmentally friendly transformation of our products and customer care, the adaptation of our processes and the intranet as well as the development of innovations to foster circular economy. The conclusions from the dialogue will be incorporated into our CSR strategy.

Impact on Society

| Our commitment | KPI | Performance |
|--|--|---|
| To expand access to new technologies for residents of small towns - digital development of local communities | Number of participants (residents of small towns and villages) in educational activities | 100 Orange Studios in villages and small towns for 900,000 residents |
| To develop digital competencies among children and schools | Number of participants (schools, children) in educational programmes | 250 schools and 8,250 children in MegaMission Programme 135 schools and 3,000 children in #SuperCoders program |
| To provide and support education on children's online safety in schools and kindergartens all around Poland with the Safety Here and There programme | Number of participants (children and parents) in Safety Here and There programme | 403,488 children using education materials 20,720 users of the on-line courses for parents |



PLN 7.6 billion

of Poland's GDP generated by our services

99.8%

of Poland's population covered by our 4G network

17%

of households connectable with our fibre network (offering speeds of 100 Mbps or more)

12%

of jobs in the telecommunications industry provided by Orange Polska

PLN 13.4 million

million spent on social programmes and support to NGOs



46,000

jobs generated in other companies as a result of their co-operation with Orange Polska

PLN 7.7 million

raised for NGOs from charity SMSs sent by our customers

2,132

educational institutions ran programmes supported by Orange Polska

640,300

people participated in social campaigns organised or supported by Orange Polska

Delivery on our commitments in 2017

Orange Polska plays a special role in stimulating economic development. The telecommunication services and technologies that we provide constitute the bloodstream of a modern, effective and competitive knowledge-based economy. The Company's infrastructure is used not only by individual users but also by other companies. The role of Orange Polska as a provider of ICT infrastructure is particularly important outside big cities, in rural and semi-rural areas that are less digitally connected.

The availability of new technologies influences whether we are willing and able to live in a particular location; it also determines whether our businesses can compete with others, choose the best offers, find appropriate employees or ensure smooth collaboration. As an ICT infrastructure provider, we have the power to enhance the investment attractiveness of particular regions and locations.

Digital technology has become a critical factor in the pursuit of a good life; as a result, social exclusion is now a digital issue. By providing telecommunications services we facilitate communication between people; we strive to ensure that everyone, regardless of their place of residence, wallet size, age or ability, has access to the opportunities offered by new technologies.

Universal internet access contributes to equal opportunities and helps people from disadvantaged social groups to re-

ach their full potential. But first we need to eliminate the social barriers that restrict people's access to digital technology - and therefore their access to knowledge, culture and education.

Orange Studios

Orange Studios are public multimedia studios in small towns and villages, which we create and help to manage. The purpose is to provide members of the local community with access to new technologies, courses and workshops. The leaders of the studios are provided with professional training and financial aid to help them manage these modern and attractive meeting places. To date, we have set up 100 studios across the country. In addition, we have launched an online knowledge-sharing platform for Orange Studio users. It features a portfolio of ready-to-implement projects and a gamification module that uses game mechanisms to build social skills and motivate residents to work for the benefit of their neighbourhoods. The initiatives are aimed at different groups: children and youth, people with disabilities, young mothers, and senior citizens. We estimate that 900,000 people use Orange Studios per annum.

Digital Education

We want children to be safe and conscious users of multimedia, and we want teachers to have access to the high-quality teaching materials they need. That is why we joined the Nationwide Educational Network, a project of the Mi-

nistry of Education. Orange Polska has pledged to provide high-speed fibre internet access (at least 100 Mbps) to 4,577 schools. The cost is included in the company's current investment plans, and will come from Orange Polska's own funds, rather than the POPC budget or other public money. We are the first nationwide operator to sign such an agreement, which will benefit 15% of all schools in Poland.

After-school clubs offer a space where we can support digital education in an innovative way that supplements the core national curriculum. Since 2015 we have run a nationwide educational programme for primary schools called MegaMission. It is aimed at kids aged 6 to 10 who spend time in after-school facilities, and their teachers. Through this programme we expand educators' knowledge about the ten key areas of development of media, digital and IT competence. 250 schools and 8,250 children participated in the MegaMission classes in 2017.

In 2016 we launched a pilot version of #SuperCoders, an education programme to teach coding, aimed at primary schools and students aged 9-12. The pilot was conducted in 35 schools all over Poland. The full rollout of the programme in 2017 involved 135 schools and 3,000 pupils.

The knowledge we acquired during the SuperCoders project allowed us to apply successfully for 9 EU regional grants, which enabled us to start Code the Future. This project covers 222 schools, 1,200 teachers and 19,000 pupils from primary schools (1st-3rd years) from small towns and villages all over Poland, who learn the basics of programming and learn how to use digital skills in practice. Teachers and schools receive tablets, robots, mechatronic sets and educational mats that will be used to teach programming in the coming years. Code the Future is run in partnership with the Masters of Coding Association.

One of the most important issues for us is the safety of children and young people on the internet and preparing young people to use new media in a conscious way. Our programme Safety Here and There addressed this issue by combining the educational activities of the Orange Foundation with all our services related to customer safety. This programme supports education on children's online safety in schools and kindergartens all around Poland. Every year the Orange Foundation, in cooperation with the Empowering Children Foundation, offers many educational tools and materials such as e-learning and educational websites, online brochures and guidelines for pupils, parents and teachers.

In 2017 our educational materials reached 403,488 children. Adults (especially educators and specialists) can participate in conferences, seminars and workshops. We have also created a special online interactive guide for parents and guardians, teaching them how to protect their children online and better understand their fascination with digital technologies. In 2017 it had 20,720 users.

Sponsorship

Orange Polska has adopted a sponsorship policy (pursuant to the Decision No. 49/16 of the Executive Director in charge of Corporate Affairs dated 17 November 2016). Orange Polska's approach reflects the global sponsorship strategy of the Orange Group, focusing on three main areas that align with the brand: music, film and sport. Within these fields Orange Polska develops long-term, comprehensive, nationwide projects addressed to a large group of its existing or prospective customers. Orange Polska sponsors various initiatives on a long-term rather than one-off basis. Key projects are subject to approval by the Management Board of Orange Polska S.A. We established the Sponsorship Committee to centralise project management of sponsorship opportunities within the Orange Polska Group.

Orange Warsaw Festival and Open'er Festival Powered by Orange.

Number of participants



Grants

As part of its donation policy, Orange Polska has adopted formal rules for using the Donation Fund. These are specified in the relevant Decision of the Executive Director in charge of Corporate Affairs.

Orange Polska S.A. follows clear and transparent rules in making donations:

- Any donation requires analysis and recommendation;
- Any donation is subject to approval by the President of the Management Board of Orange Polska;
- Any donation is made under a written donation agreement;
- All donations are effected by transfers and registered in the accounting systems of Orange Polska;
- Each agreement includes a requirement to confirm that the donation has been used in line with its purpose.

Grants (in PLN millions)



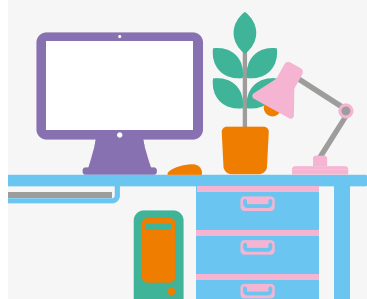
Being digital and caring employer

Our commitment

To create culture of co-operation in which all employees feel respected and freely pursue their professional goals and life passions

To offer better working conditions, constant enhancement of the work environment and focus on talent development

To continue workforce optimisation in cooperation with trade unions



| KPI | Performance | |
|--|-----------------------------|-------------|
| Number of employees * | 2015 | 16,599 |
| | 2016 | 15,537 |
| | 2017 | 14,587 |
| Share of women among managers | Women among managers | |
| | 2015 | 35% |
| | 2016 | 33% |
| | 2017 | 33% |
| Number of training hours per year per employee | Training hours per employee | |
| | 2015 | 45 |
| | 2016 | 35 |
| | 2017 | 32 |
| Employees satisfaction ratio (International Social Barometr) | 2015 | 33.2 points |
| | 2016 | 36.1 points |
| | 2017 | 31.5 points |
| (on a scale from -100 to +100) | | |

* a change in methodology compared to previous CSR report and integrated report: excluding Networks!

Delivery on our commitments in 2017

As an employer, Orange Polska strives to combine the best of both digital and human approaches. Our goal is to enable employees to contribute to our company's transformation – for the benefit of the customer experience. In 2017 we focused on developing new skills and new professions. We also adopted more collaborative working methods, popularised digital tools and encouraged innovation at every level. Everyone's commitment is key to the success of our strategic project – being a digital and caring employer.

Orange Polska again among top employers

In 2017 we built Orange Polska's reputation as one of the best employers in Poland. We received several awards in 2017, including the Top Employer Polska certification, Top Employer Europe and Top Employer Global titles. Our high ranking among Polish companies reflects our commitment to better working conditions, constant enhancement of the work environment and our focus on talent development.

Diversity management

The Diversity Management Policy (launched in 2016) aims to bolster the pursuit of our business objectives, address changes in the labour market and respond to the expecta-

tions of our employees. The policy also supports compliance with the values enshrined in the Code of Ethics, CSR goals and the obligations under the Diversity Charter, of which we are a signatory.

The key diversity dimensions in the Group are as follows: gender, age, competence / expertise/ experience / way of thinking, psychophysical skills - (dis)abilities, and parental status. Other diagnosed dimensions include: religion / beliefs, workplace location (HQ vs. region), type of employment, and nationality/ ethnic origin.

In 2017, we hosted a dialogue with our stakeholders on diversity and gender equality. We invited employees, managers, Board Members and external stakeholders, i.e. opinion leaders, representatives of public institutions and social organisations and our business partners, to discuss a specific action plan under the Diversity Policy. A total of 51 people attended individual meetings and workshops over five days. Our stakeholders saw the issues of gender equality, age anti-discrimination and provisions for people with disabilities as the key areas where Orange could take action in the area of diversity management.

With respect to administering, managing and supervising bodies, the rules specified in the Policy include proper selection of employees and leadership. In the recruitment pro-

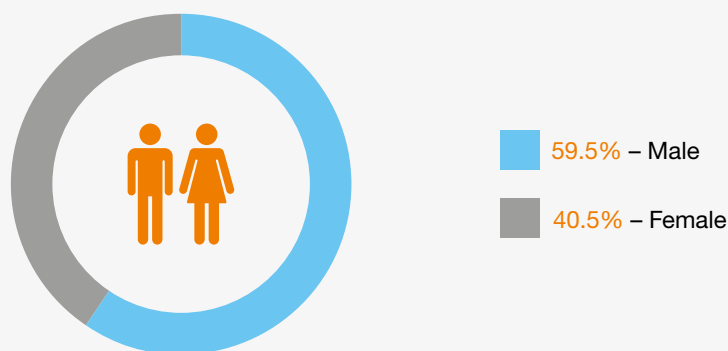
cess, we follow transparent rules and criteria for candidate selection. Decisions to recruit particular employees are based on their qualifications and professional experience. We ensure that candidates represent diverse communities. In terms of leadership, the diversity requirements include care for the diversity of decision-making bodies within the Company. In complementary action plans to the Policy, we have assumed a requirement for analysis of management and supervisory bodies in terms of diversity with respect to such aspects as age, gender, education or professional experience. The duties and responsibilities as well as the requirements related to qualifications, expertise and competence of Supervisory Board Members are specified in the Company's Articles of Association. In addition, Orange Polska applies the provisions of the Best Practice for WSE Listed Companies 2016.

The Supervisory Board currently consists of fourteen members, including five independent members. They are appointed by the General Assembly (or, in exceptional cases, by the Supervisory Board). The term of office for the member of the Supervisory Board is three years. There are three women on the Supervisory Board.

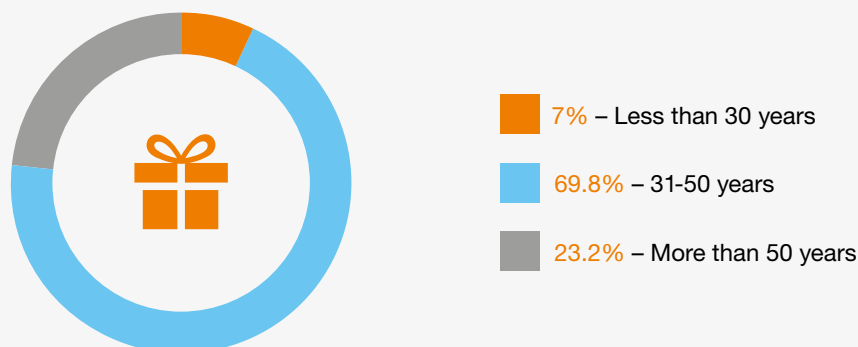
The Management Board currently consists of six members, including the President. They are appointed by the Supervisory Board. The term of office for the member of the Management Board is three years. There are two women on the Management Board (as of December 31, 2017)

Total employees by:

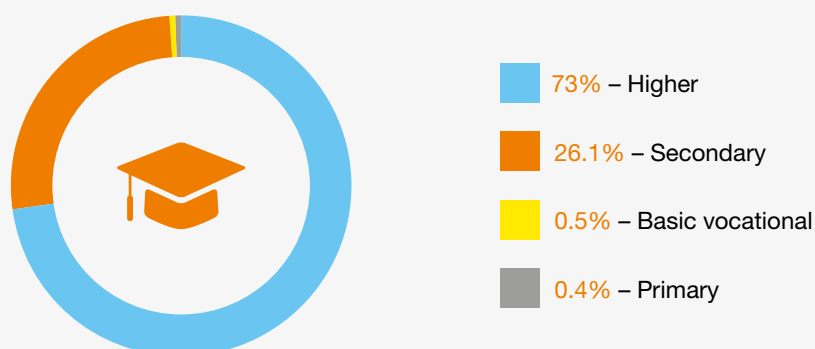
Gender



Age



Education*



*(only for Orange Polska)

Training

We have a number of training programmes, which aim to develop competence and prepare employees to face the Group's strategic challenges. All employees can take advantage of opportunities to increase their qualifications. Some can improve their language skills; some are also eligible for financial help with graduate or postgraduate studies, including MBA. We also train outsourced employees in knowledge specific to Orange Polska and necessary to perform their duties.

The following training resources are available to Orange Polska employees:

- Professional Schools in different areas that offer opportunities for professional improvement and development.
- Knowledge sharing programmes, such as Knowledge Highway, which supports the development of a know-how sharing culture among Orange Polska's internal experts.
- Development Products Library, offering over 2,000 e-learning courses and books.
- Management talent identification and development programme, supporting people with initiative, concrete achievements and management potential. These people are covered by dedicated development programmes, participate in critical projects and are taken into account at the first stage of recruitment for managerial positions.
- Orange Campus, an international development programme established in 2011 to promote uniform management standards across the Orange Group. 76% of Orange Polska managers have already participated in at least one such training course. Training sessions have so far been attended by more than 6,600 participants

Sustainable development

The company follows the employee Development & Assessment (D&A) process, which combines annual evaluation results with the employee's career development plans; it also involves progress monitoring throughout the year and accounts for Orange values in the employee assessment.

- 94.4% of employees evaluated
- 82.3% of employees with individual development plans
- 22,607 development activities scheduled

The same process also covers 3,101 of our outsourced staff. 97.8% of them completed the process and 73.4% of them adopted a development plan.

All employees are eligible for variable bonuses, which are dependent on work results and subject to the rules of the Orange Polska bonus system. Employees are grouped according to their responsibilities, and their bonus goals are set and settled either monthly, quarterly or semi-annually, depending on the group they are in.

Working Environment

In order to improve quality of life and promote employee integration, Orange Polska provides a broad package of market-competitive benefits to its employees, building a valuable offer which supports employee recruitment and retention. The key areas influenced by Orange Polska through benefit schemes are health and physical activity, financial stability, improved quality of life and employee development. The "Policy for Investing in Health Quality and Wellbeing of Orange Polska's Employees" provides for developing a friendly working environment, ensuring balance between professional and personal life, promoting a healthy lifestyle, supporting employees' physical activity and hobbies, as well as creating a culture of co-operation in which all employees feel respected, freely pursue their professional goals and life passions and get involved in social initiatives.

Orange Polska ensures safe and friendly working conditions for its employees:

- employees are offered broad medical services at LUX MED Group and CM LIM clinics and partner medical facilities;
- employees are eligible for participation in the Employee Retirement Plan;
- Orange Polska has the Company Social Benefits Fund as a means of social welfare addressed to employees and retired employees in need;
- in addition to the Company Social Benefits Fund, employees can use the Central Housing/Welfare Funds;
- employees and their families are offered discounts by the Group's partners as well as discounts for Orange products and services in the 'Offer for You' programme;
- employees are also eligible for financing of sports, tourist and cultural events and can use FitProfit cards.

Both full-time and part-time employees are eligible for all the aforementioned benefits. Employees working under a fixed-term employment contract are eligible for health care and promotional offers, but are not eligible for benefits that require long-term commitments, such as the Central Welfare Fund or the Employee Retirement Plan.

Continuing workforce optimisation through social dialogue

We respect our employees' right to associate and we run regular broad dialogue with our social partners. As part of that dialogue, we negotiate settlements, agreements or other documents with trade unions. The most important of them is the Intragroup Collective Labour Agreement for the Employees of Orange Polska S.A. This document regulates, among others, the rules for concluding and terminating employment contracts, working hours, holiday entitlement, rules of remuneration and obtaining extra benefits connected with work, occupational safety and health issues, training, social care and health care. Orange Polska also has an Employee Council.

Pursuant to mandatory regulations, the Company has an obligation to consult the Council on matters related to the level, structure and intended changes of workforce, actions aimed at maintaining the workforce level, as well as any significant changes in the work organisation or employment terms. The new Social Agreement, for 2018–2019, addresses in particular the following issues: investments in a friendly work environment, pay rises, financial compensation for employees leaving Orange Polska and support for outplacement. In addition, there is a Collective Labour Agreement at a subsidiary TP TELTECH Sp. z o.o

Volunteering programme allows socially engaged people to share their knowledge and positive energy with others

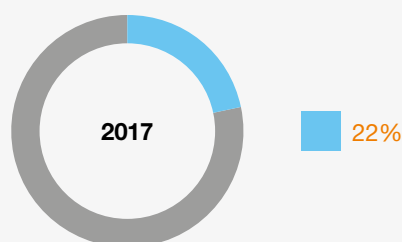
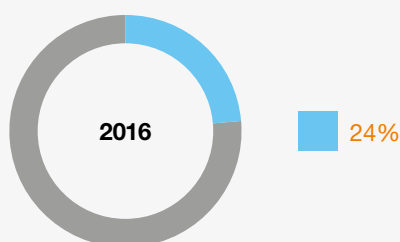
Orange Polska has the biggest employee volunteering programme in Poland. It has been running for 15 years. It is organised by the Orange Foundation in co-operation with Orange Polska and engages about 3,500 volunteers each year. The programme is based on "competence volunteering". Our employees share their knowledge, skills and experience and teach children and seniors how to use the internet safely and wisely. Moreover, Orange volunteers create colourful and friendly spaces for children to learn and play in places such as hospitals, hospices and single mothers' homes. Every year during the "Christmas with Orange Foundation" campaign, our volunteers play Santa and visit kids in hospitals and orphanages.

In 2017 we introduced two programs developing digital skills: MegaMission and #SuperCoders. These projects are addressed to school children and teach the basics of programming, graphics editing and creating video materials, but also a critical approach to content found on the web.

Our employees take part in important community activities and in events organised by Orange Polska (e.g. Orange Warsaw Festival). Orange volunteers may develop their own volunteering project and apply for a grant for its implementation. Every year we award grants to approximately 100 local projects.

Volunteering programme

Employees engaged in volunteering programme



Volunteers



Volunteers' working hours



Financial review in 2017

Financial Key Performance Indicators (KPIs)

We use the following financial and operational KPIs to track Orange Polska's performance.

| KPI | 2017 Outlook and guidance | Performance | | | | 2018 Outlook and guidance | |
|---|---|------------------------|--------|--------|--------|---------------------------|---|
| Adjusted Revenue (PLN mn) | Mobile service impacted by new roaming regulations and uncertainty on pre-paid Slower growth of mobile equipment sales Legacy revenue (PSTN, wholesale) in continued structural decline | Adjusted Revenue | 12,191 | 11,826 | 11,538 | 11,381 | Supported by national roaming contract with Play Further focus on convergence strategy Legacy revenue (PSTN, wholesale) in continued structural decline |
| | | Mobile revenue | 6,120 | 6,106 | 6,324 | 6,141 | |
| | | Fixed revenue | 5,535 | 5,100 | 4,720 | 4,571 | |
| | | Other revenue | 536 | 620 | 494 | 669 | |
| | | | 2014 | 2015 | 2016 | 2017 | |
| Adjusted EBITDA (PLN mn) | Around PLN 3.0 billion (raised from PLN 2.8-3.0 billion in October 2017) | Adjusted EBITDA margin | 32.1% | 29.7% | 27.4% | 26.5% | Around PLN 3.0 billion stable vs 2017 (under IAS18 accounting standard and around PLN 2.75 billion under IFRS15 accounting standard) |
| | | Adjusted EBITDA | 3,916 | 3,517 | 3,163 | 3,011 | |
| | | | 2014 | 2015 | 2016 | 2017 | |
| Adjusted CAPEX (PLN mn) | Around PLN 2 billion, including around 0.8 billion on fibre rollout (>1 million new households connectable in fibre) | % of revenue | 14.6% | 16.9% | 17.3% | 17.0% | Around PLN 2.0-2.2 billion, including around 0.7-0.8 billion on fibre rollout (>1m new households connectable in fibre) |
| | | Adjusted CAPEX | 1,775 | 1,998 | 2,001 | 1,933 | |
| | | | 2014 | 2015 | 2016 | 2017 | |
| Adjusted Organic Cash Flow (OCF) (PLN mn) | | 2014 | 1,149 | 962 | 620 | 111 | |
| Net debt/adjusted EBITDA | Not higher than 2.6x including potential EC fine payment | 2014 | 1.1 | 1.1 | 2.1 | 2.2 | Not higher than 2.6x including potential EC fine payment (Under IAS18 accounting standard and not higher than 2.8x under IFRS15 accounting standard) |
| | | 2015 | 1.1 | 1.1 | 2.1 | 2.2 | |
| | | 2016 | 2.1 | 2.1 | 2.1 | 2.2 | |
| | | 2017 | 2.2 | 2.2 | 2.2 | 2.2 | |
| Dividend Per Share (DPS) (PLN) | Management has decided to maximise cash allocation to strategic investment projects and therefore will recommend not paying any dividend in 2017 | 2014 | 0.5 | 0.5 | 0.25 | 0 | Having decided to prioritise investments in long-term value creation and also taking into account potential payment of EC fine, Orange Polska management will recommend not paying any dividend in 2018 (in line with statements during September 2017 strategy presentation) |
| | | 2015 | 0.5 | 0.5 | 0.25 | 0 | |
| | | 2016 | 0.25 | 0.25 | 0.25 | 0 | |
| | | 2017 | 0 | 0 | 0 | 0 | |

Revenue evolution improves following rebound in fixed broadband

Revenue totalled PLN 11,381 million in 2017 and was down PLN 157 million (or -1.4%) year-on-year. However, the rate of decline was lower than in 2016 (-2.4%).

Revenue erosion was almost evenly distributed between fixed line and mobile segments, whereas other revenues grew substantially.

There was a considerable improvement in the trend of fixed services revenues. Erosion was contained at 3.2% compared to 7.5% in 2016, despite a continued slump of about 13% in traditional voice revenues, which were affected by negative structural factors. Fixed broadband revenues improved greatly with growth of 4.5% in 2017 compared to a decline of about 4% in 2016. This was driven by rapid expansion of the customer base, which increased almost 11%. A considerably lower decline was reported in wholesale revenues, which were positively affected by an increase in traffic terminating on a fixed network.

The declining trend in mobile revenues can be attributed to the implementation of our value-driven commercial strategy. Our focus on value and convergence was reflected in a radical reduction in handset subsidies, which resulted in a considerable rise in unit sales prices accompanied by a decline in sales volume and, consequently, a significant increase in the share of SIM-only transactions. This strategy led to an improvement in EBITDA, but had a negative impact on both mobile equipment sales and ARPU.

Blended mobile ARPU amounted to PLN 29.8 in 2017 and was up 5.3% (year-on-year). The increase was driven exclusively by a major improvement in pre-paid ARPU. This improvement, however, resulted not from fundamental factors, but from a huge decline in the number of SIM cards sold following the registration obligation. In the post-paid segment, ARPU erosion continued at a double-digit pace.

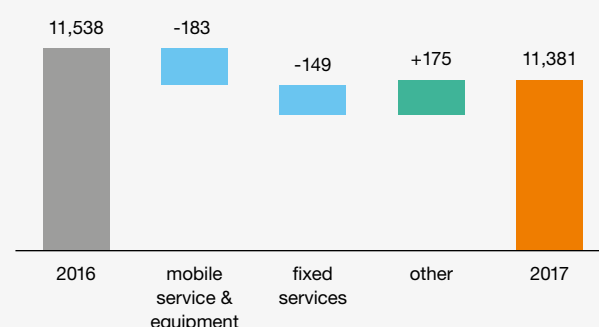
The post-paid ARPU decline in 2017 can be attributed to the following factors:

- growing take-up of SIM-only offers;
- focus on installment sales in customer acquisition, while reducing sales of traditional subsidised offers (in the installment scheme, a portion of revenue corresponding to the handset is reported as revenue from equipment sales rather than revenue from services, which is the basis for ARPU calculation);
- discounts granted to customers subscribing to convergent services;
- popularity of family offers, in which customers get several SIM cards;

- substantial decrease in mobile broadband ARPU, resulting from much lower take-up of this service;
- price competition.

Other revenues jumped by 35% year-on-year, driven among other factors by a rise in sales of ICT equipment, higher sales of wireless broadband equipment and the consolidation of almost 4 months' results from new acquisition Multimedia Polska Energia.

Adjusted revenue evolution (PLNm)



Evolution of adjusted EBITDA proves substantial progress towards stabilisation and return to growth

Total operating costs (determined as EBITDA less revenues) remained flat year-on-year. As a result, revenue erosion fully filtered through to adjusted EBITDA, which was down 4.8%. However, adjusted EBITDA erosion was significantly lower than in 2016, when it exceeded 10%. Adjusted EBITDA margin decreased by 0.9 percentage points year-on-year and stood at 26.5%.

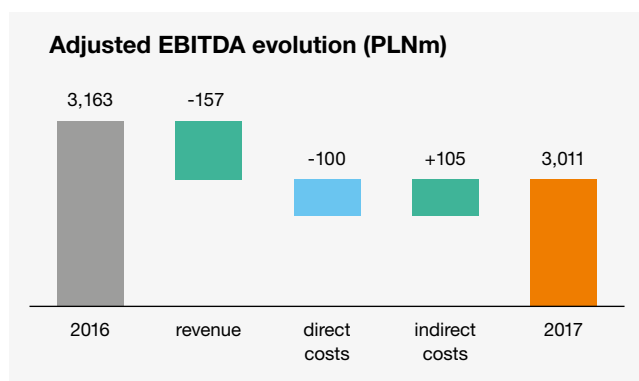
This cost evolution can be attributed mainly to the following factors:

- A decrease of over 10% in commercial expenses, resulting mainly from much lower volume of customer acquisition and retention transactions bundled with handsets as well as optimisation of the distribution channel mix and significant savings in advertising and promotion costs;
- An increase of over 18% in interconnect costs due to growth in retail and wholesale traffic, owing to a higher customer base and much higher usage per customer (particularly resulting from a massive increase in traffic following the introduction of free roaming within the EU);
- An increase of 3.3% (year-on-year) in labour costs (adjusted for the effect of revision related to the new Social Agreement). However, the increase resulted exclusively from recognition of low labour costs in 2016 following renegotiation of retirement bonuses (PLN 94 million).

Excluding this one-off factor, labour costs decreased by more than 2%, mainly owing to workforce optimisation;

- A decrease of approximately 3% in network and IT expenses, resulting from savings in energy consumption, network maintenance and installation costs.

The margin decline was greatly affected by negative structural trends in high-margin traditional fixed line services (mainly fixed line voice services); the decrease in these services was almost entirely reflected in profit erosion. However, the implementation of our convergence strategy and the rollout of the fibre network significantly improved broadband margins.



Bottom line impacted by provisions related to the new Social Agreement

The net loss for 2017 stood at PLN -60 million and resulted from the PLN 204 million impact of the Social Agreement for the years 2018–2019 and the final settlement of the Social Agreement for the years 2016–2017. The bottom line benefited from lower depreciation (down PLN 153 million as a result of extension of useful life of certain fixed assets and

PLN 55 million lower net financial costs (mainly owing to stronger PLN vs EUR impacting discount expense).

Capex reflects investments in connectivity and optimisations

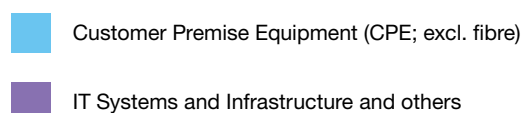
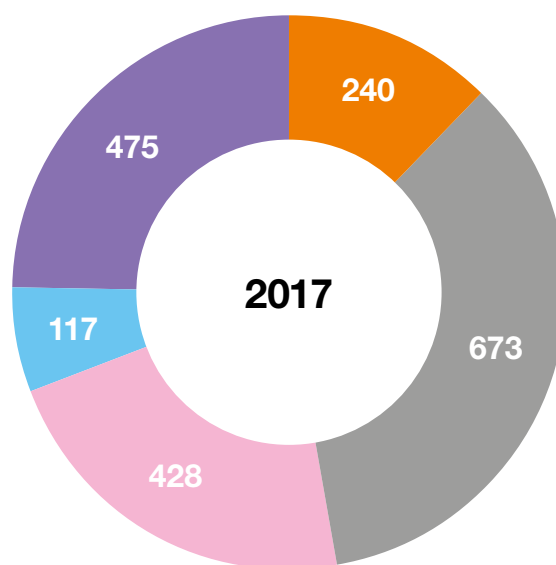
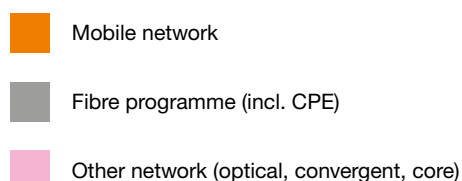
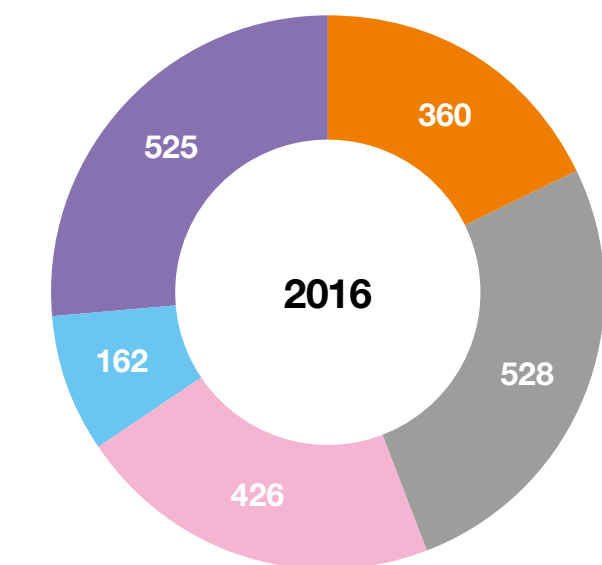
The Group's adjusted capital expenditures in 2017 amounted to PLN 1,933 million and were broadly flat year-on-year. Capex related to fibre network deployment increased almost 30% and was the only growing category.

The Group invested mainly in the following areas:

- Rollout of the fibre access network in the announced investment programme, which covered 1 million households in 2017. Including the lines developed in 2014, 2015 and 2016, there are now almost 2.5 million households connectable with the fibre network, which is available in 75 cities compared to 37 cities at the end of 2016.
- Investments to enhance the range of LTE services and the quality of the mobile network, expand the capacity and range of GSM/UMTS services, and adapt the mobile access network to the 4G technology requirements, particularly in the areas not covered by the mobile access network consolidation project (i.e. strategic or underinvested regions);
- Expansion of the mobile transport and core network in order to handle the growing volume of data transmission and ensure the service quality expected by customers;
- Implementation of IT transformation programmes, including a common system for handling fixed-line and mobile service sales to B2C and SOHO customers;
- Investment projects related to development of our offer portfolio and sales and customer service processes, as well as the modernisation and enhancement of the IT infrastructure.



Investment areas (in PLNm)



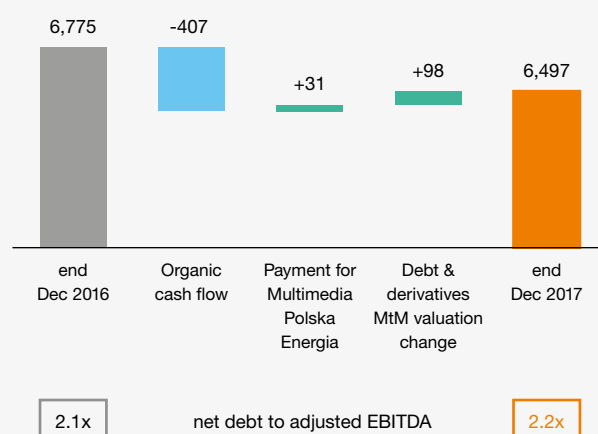
Organic cash flow reflects lower EBITDA and working capital requirement

Adjusted organic cash flow for 2017 came in at PLN 111 million, down from PLN 620 million in 2016. This year-on-year decrease stemmed from lower EBITDA and much higher year-on-year working capital requirements (PLN 381 million). The latter was mainly a consequence of handset inventory restocking, lower year-on-year positive effect of reverse factoring transactions and different timing of settlements with one of our carrier customers.

Leverage ratio at 2.2x

Our net debt in 2017 decreased by around PLN 0.3 billion, to PLN 6.5 billion mainly due to organic cash flow of PLN 0.1 billion combined with investments grants received related to POPC programme of PLN 0.3 billion. At the same time PLN 31 million was spent on the acquisition of Multimedia Polska Energia. Despite lower debt the leverage ratio was a bit higher, at 2.2x compared to 2.1x at the end of 2016, due to the drop in adjusted EBITDA. Our debt was fully hedged against currency movements and we increased the share of debt based on a fixed interest rate, to 78% from 69% at the end of 2016, as we anticipate higher interest rates in the future.

Net debt evolution (PLNm)



Management proposes no dividend payout in 2018

As we prioritise investments in long-term value creation, and taking into account potential payment of the EC fine, the management will recommend not paying any dividend in 2018 (in line with the statement during our September 2017 strategy presentation).





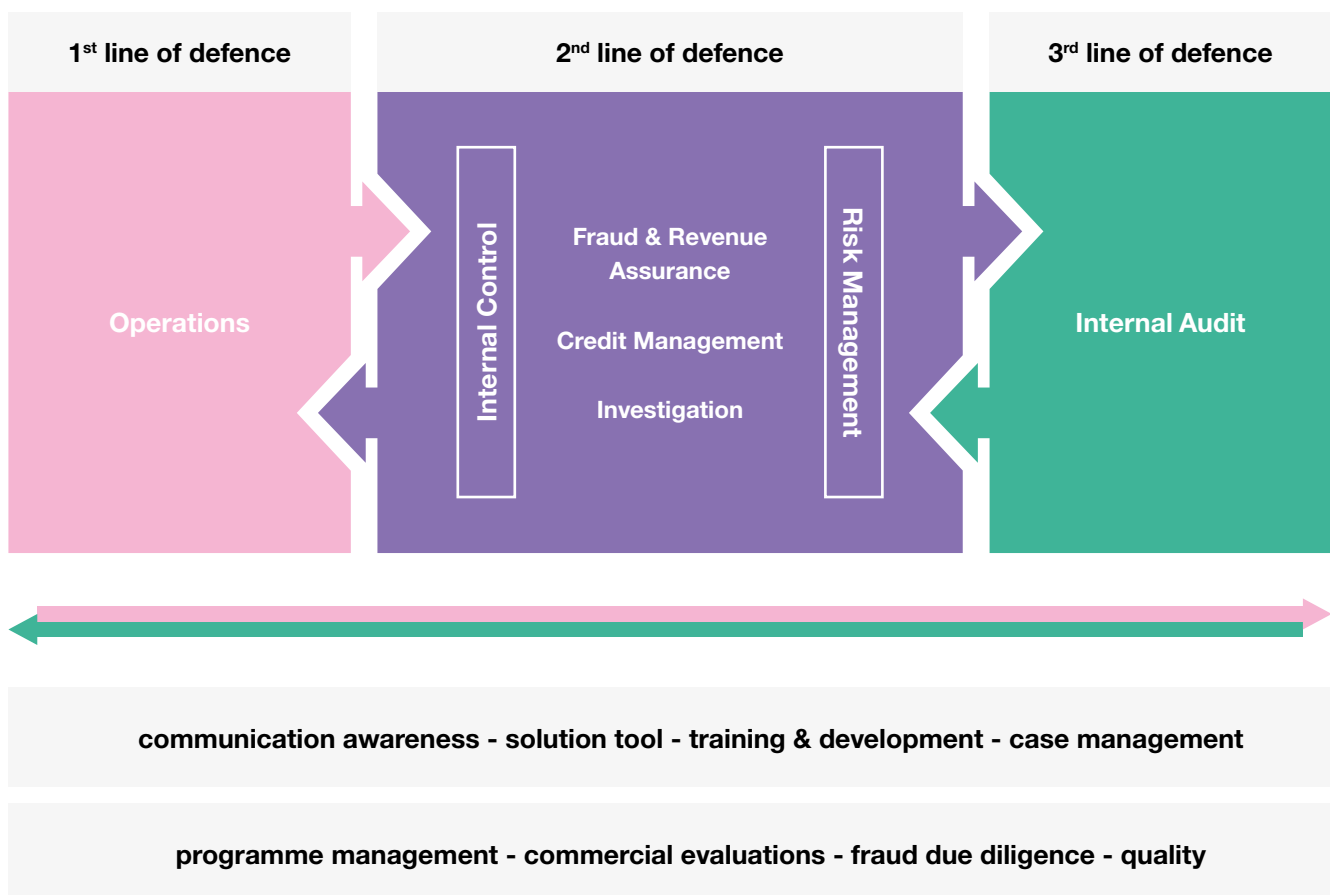
Risk management

Risk Management

Orange Polska is exposed to a range of external and internal risks of varying types which can impact the achievement of its objectives. Therefore, Orange Polska maintains a risk management framework to identify, assess and manage risks. This framework has been based on the ISO 31000:2009 standard. Leaders within the Group's individual business areas and functions are responsible for the assessment and

management of risks, including the identification and escalation of new/emerging circumstances, and monitoring and reporting on both the risks themselves and the effectiveness of control measures. Events are considered in the context of their potential impact on the delivery of our business objectives.

Orange Polska's three lines of defence



Risk appetite

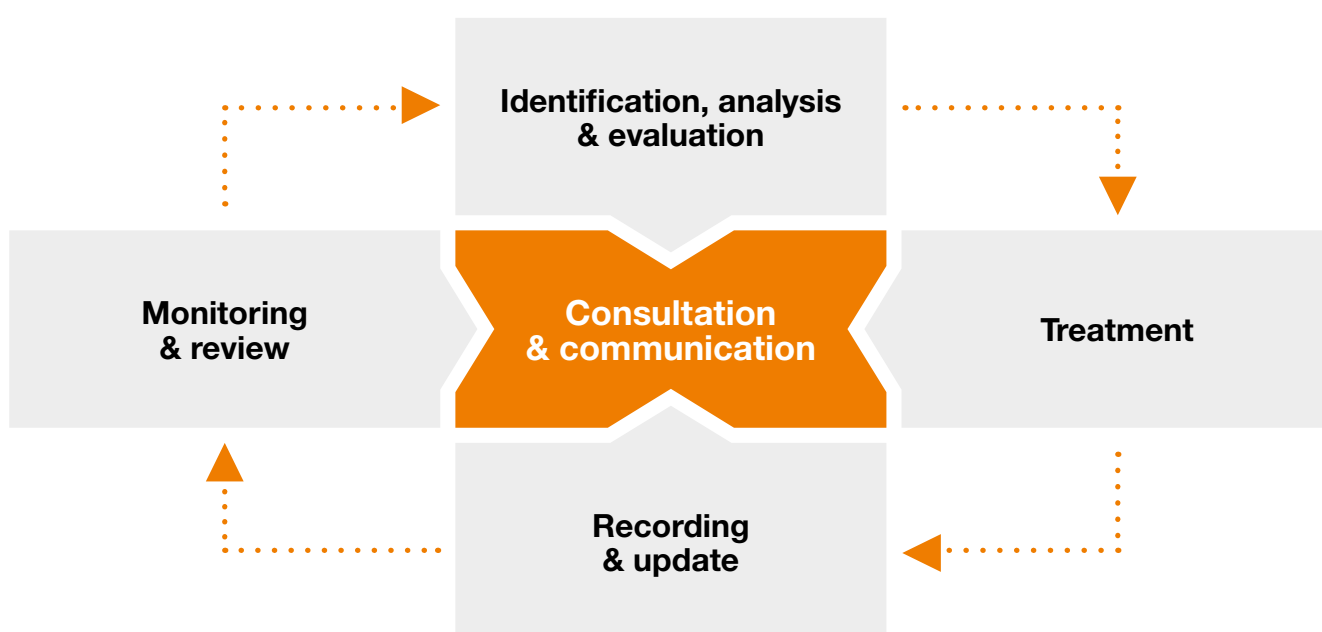
Event-based risks are subject to assessment based on their likelihood and impact in terms of financial, reputational, business continuity and human resources loss. If risk consequences are e.g. both financial and reputational, the risk is assessed according to the most negative consequence. The risks whose assessed negative impact on the Company exceeds the acceptable level are mandatorily assigned mitigation measures in order to prevent or minimise losses. The effectiveness of such measures is verified on an ongoing basis, and they are adjusted as required.

Risk management process

The list of TOP risks is developed as a result of individual meetings with Board Members and Executive Directors, who indicate significant events that have the potential to jeopardise the Company's strategy. Based on the risks identified in this process, their owners continue with further assessment of the risk likelihood and impact, as well as assigning mitigation measures and appointing the managers responsible for the implementation thereof. The outcome of the analysis of each TOP risk is subject to approval by the Board Member or Executive Director responsible for the particular area and, in case of potential financial loss, also by the Chief Financial Officer.



The risk management process in Orange Polska



Reporting

Indicative heat maps are used to report and evaluate risks. Sample heat map used as one of communication tools

| Likelihood | 5 | | | | | |
|------------|---|--------|---|----|---|---|
| | 4 | | | | | |
| | 3 | PR | | BC | | |
| | 2 | | | | | |
| | 1 | | | | | |
| | | 1 | 2 | 3 | 4 | 5 |
| | | Impact | | | | |

FN - financial;
HR - human resources;

PR - reputational;
BC - business continuity;




This example presents a risk that has low reputational impact, but moderate impact in terms of business continuity. Therefore, the overall assessment of the risk would be medium.

The TOP risks are reviewed at meetings of the Management Board and the Supervisory Board.

TOP risks

The TOP risks (aggregated clusters of event-based risks), which are set out in the table on pages 80-83 reflect the categories of risks that define business activity or contributing factors where value can be lost or gained and could have a material impact on the business model, future performance, solvency or liquidity of the Group. In each case the extent to which the Management Board can mitigate the risk is highlighted.

Risk exposure

| Risk area | Main business objective / Strategy reference | Risk exposure | Key risks, issues or areas of uncertainty |
|--|--|---|--|
| <p>Revenues and profits</p> <p>Orange Polska's failure to successfully implement its strategy could lead to a loss of market share and/or shrinking margins</p> | <p>Unmatched data connectivity for households and businesses</p> |  | <ul style="list-style-type: none"> Increased competition and pressure on services and prices Loss of a part of the market due to introduction of new services and technologies Failure to obtain the expected return on investment in fibre and loss of broadband market share Marginalisation of the role of mobile network operators due to implementation of eSIM technology Increased competition from CATV operators in the convergent market Emergence of new types of fraud with new technologies |
| <p>Telecommunications services</p> <p>Increase in the number and duration of service interruptions</p> | <p>Effortless and friendly customer experience</p> <p>Unmatched data connectivity for household and business</p> |  | <ul style="list-style-type: none"> Orange Polska's IT&N infrastructure outage Exposure of Orange Polska to cyber attacks Occurrence of terrorist attacks Decrease in quality or non-performance of services due to dependence on external partners |
| <p>Information security</p> <p>Breach of security of information, including personal data</p> | <p>Acting in effective and responsible manner</p> <p>Effortless and friendly customer experience</p> |  | <ul style="list-style-type: none"> Breach of security of information, including personal data |

An indication of each category's current exposure relative to the previous year is shown by the arrow in the risk exposure column.



Increasing



Reducing



Stable

| Potential impact | Management approach and mitigation measures |
|---|--|
| <p>The main markets in which Orange Polska operates are mature or even saturated. It therefore faces extremely tough competition, which initially was mainly on price, but presently focuses on the quality of products and customer care. The rapid growth in broadband use (both fixed and mobile) and development of new technologies allow global players in the internet sector to establish a direct link with customers of telecom operators, thus depriving the latter, including Orange Polska, of a portion of their revenues and margins. If this phenomenon continues or intensifies, it could seriously impair the financial position and outlook of operators. Orange Polska's failure to successfully implement its strategy could lead to a loss of market share and/or shrinking margins. The same could occur in the event of consolidation of other players in one of the markets where it operates. Moreover, with growing complexity of technologies and networks and accelerated implementation of new applications and services, particularly related to interconnection and customer relationship management, new types of fraud which are more difficult to detect or combat could also emerge. This may result in a loss of revenues.</p> | <p>In response, Orange Polska has chosen to make significant investments in fibre, pursue a convergence strategy and continue with transformation and efficiency gains. It is also committed to developing new business activities, such as mobile financial services and electricity supply.</p> |
| <p>Service disruption or interruption may occur following cyber-attacks (on the IT&N infrastructure), outages (of hardware or software), human errors or sabotage of critical hardware or software, failure of a critical supplier, or if the network in question does not have sufficient capacity to meet the growing usage needs, or during the implementation of new applications or software. The impact of such incidents could seriously damage Orange Polska's reputation and result in revenue erosion, affecting its profits and market position.</p> | <p>This risk is mitigated by proper network and IT systems development planning, investments in the development of disaster recovery solutions and insurance schemes as well as implementation of business continuity and crisis management plans. Orange Polska has become the first telecom operator in Poland to obtain the ISO 22301:2012 Certificate for its Business Continuity Management System.</p> |
| <p>Orange Polska's activities may trigger the loss, disclosure, unauthorised communication to the general public or third parties or inappropriate modification of the data of its customers. Such losses could arise from (i) rapid implementation of new services or new applications, for example those relating to billing and customer relationship management, (ii) launch of new initiatives, especially in the field of Internet of Things (IoT), (iii) malicious acts (including cyber-attacks), particularly aimed at theft of personal data, or (iv) potential negligence within Orange Polska or its external partners. Furthermore, the new General Data Protection Regulation (GDPR) released in April 2016 will become applicable on May 25, 2018. For infringement of GDPR protection rules, administrative fines of up to 4% of the annual global turnover may be imposed. Such incidents could have a considerable impact on the Group's reputation and a heavy impact on its liability, potentially including criminal liability, and hence have an adverse impact on Orange Polska's future financial performance.</p> | <p>Orange Polska has implemented a certified Information Security Management System, which complies with ISO/IEC 27001:2013 with respect to provision of telecommunication and ICT services, hosting, collocation, cloud computing, cybersecurity and cloud processing of personal data. In October 2017, Orange Polska obtained a certificate of compliance with ISO/IEC 27018:2014 with respect to cloud-based personal data processing. Furthermore, the Company has maintained the European CERT certification for its CERT function. Several months ago, Orange Polska launched a programme to prepare the organisation to meet the GDPR requirements, and the preparations are at a very advanced stage to implement GDPR on time.</p> |

| Risk area | Main business objective / Strategy reference | Risk exposure | Key risks, issues or areas of uncertainty |
|---|---|---------------|---|
| Financial risk Risks related to financial markets | Acting in effective and responsible manner | ➔ | <ul style="list-style-type: none"> • Increase of interest rates • Appreciation of the local currency |
| Corporate governance and regulatory, tax and legal environment Regulatory obligations resulting from legislation changes and administrative decisions | Acting in effective and responsible manner | ➔ | <ul style="list-style-type: none"> • Fixed Termination Rate (FTR) cuts • Changes of wholesale rates • Risks related to acquisition of new spectrum for high-tech telecommunications services • Proceedings by UOKiK and European Commission related to network sharing • Increased tax burden resulting from changes in legislation • Increase in remuneration for the use of third parties' land for the purpose of development and maintenance of Orange Polska's infrastructure • Reputational and financial losses resulting from involvement of Orange Polska's employees or partners in corruption schemes |
| Exposure to electromagnetic fields Exposure to electromagnetic fields (EMF) from radio equipment | Unmatched data connectivity for households and businesses Acting in effective and responsible manner | ➔ | <ul style="list-style-type: none"> • Adverse effects of EMF on human health • Decline in use of mobile telecommunications services • Difficulties and additional expense in rolling out base stations and other wireless equipment |
| Labour market | Acting in effective and responsible manner | NEW | <ul style="list-style-type: none"> • Negative trends in the labour market |

| Potential impact | Management approach and mitigation measures |
|---|--|
| <p>2017 did not bring any changes in the Central Bank's policy and interest rates remained stable at a historic low. The Monetary Policy Council is expected to keep interest rates unchanged in 2018, while taking steps to prepare the market for increases in 2019.</p> <p>Foreign exchange rate fluctuations affect Orange Polska's liabilities denominated in foreign currencies and settlements with foreign operators.</p> | <p>A potential increase in interest rates should not have any major influence on Orange Polska's debt service costs owing to a high hedging ratio.</p> <p>Potential depreciation of the Polish zloty should not have any major influence on Orange Polska's liabilities denominated in foreign currencies or settlements with foreign operators owing to a high hedging ratio.</p> |
| <p>Orange Polska must comply with various regulatory obligations governing the provision of services and products, particularly related to obtaining and renewing licences. The regulatory obligations result from legislation changes and administrative decisions. Regulatory decisions and changes in the regulatory environment may have an adverse effect on Orange Polska.</p> <p>Despite Orange Polska's drive to strengthen its anti-corruption policy, corruption cases could occur due to a number of partners engaged and complex processes performed. This could have an adverse impact, particularly on Orange Polska's reputation.</p> | <p>In 2017, there were a number of changes in the legal environment with respect to both general law and provisions specific to the telecom sector. Such modification of the legal environment entails constant and diligent monitoring as well as allocating resources to implement new regulations.</p> <p>Orange Polska has implemented the Anti-Corruption Policy and Guidelines. These regulations contain detailed rules and standards as well as references to specific conditions and circumstances relating to the identification and mitigation of the corruption risk. In addition, we have carried out a number training and information campaigns to raise awareness of anti-corruption laws and rules among employees.</p> |
| <p>Exposure to electromagnetic fields (EMF) from radio equipment (used mainly on mobile, but also fixed, networks) might raise concerns for their possible adverse effects on human health, even though the Polish EMF limit is much more restrictive than in most other countries, where the limit set in the Council Recommendation 1999/519/EC applies. If the above-mentioned health risks were scientifically confirmed to a certain extent in the future, this would likely result in a decline in use of mobile telecommunications services, difficulties and additional expense in rolling out base stations and other wireless equipment, and an increase in litigation.</p> | <p>The top management monitors compliance with regulatory requirements, emission limits and other legal requirements related to environmental protection. Furthermore, Orange Polska has implemented an environmental management system for provision of mobile services, which is subject to annual ISO 14001 certification.</p> |
| <p>A further decline in unemployment may be expected in 2018. However, unemployment will be approaching the natural rate of 5%, which, despite continued favourable economic outlook, may intensify the existing problems with labour shortage and growing labour costs due to wage pressure. This in turn may negatively affect the mood in selected enterprise sectors and constitute a barrier to economic growth by limiting investments.</p> | <p>In response to the growing demand for various specialists, the Management Board of Orange Polska has been implementing programmes aimed to retain and attract employees in the areas which suffer most from lack of specialists (i.e. IT, sales, customer care and technical services).</p> |



Corporate governance



Our approach to corporate governance

Dear shareholders,

During the 2017 financial year the Supervisory Board was involved in all decisions of fundamental significance for Orange Polska. We monitored the Management Board's governance in managing the business to ensure that these activities were lawful and compliant with legal provisions and internal standards and policies as well as appropriate and efficient. We also provided advice on important projects and plans.


The frequency of the Supervisory Board and its committees' meetings mean that we are in close contact with the Management. In 2017, six Supervisory Board meetings, a one-day off-site Orange innovation conference, and 18 meetings of the Supervisory Board's committees took place. The overall average participation rate was 94%. Written votes were used where resolutions were required between the meetings (six times).

On February 7, 2017 the Supervisory Board reappointed Mariusz Gaca, the Vice-President of the Management Board in charge of Consumer Market, Maciej Nowohoński, the Board Member in charge of Finance and Jacek Kowalski, the Board Member in charge of Human Resources, for the next terms of office. In accordance with best practice, the renewals were made more than two months before the expiration of their terms of office. On November 24, 2017 Piotr Muszyński, Vice-President of the Management Board of Orange Polska in charge of Strategy and Transformation, resigned from his position with immediate effect for personal reasons. The Supervisory Board would like to thank him for his successful work at Orange Polska.

In 2017 Orange Polska made significant changes to its commercial approach and announced a new strategic plan called Orange.one, which sets targets and actions till 2020. Thanks to the focus on value, financial performance was improved while still delivering very solid commercial results.

In February Orange presented its customers with a new approach to convergence, launching the Orange Love offer, which was very well received with almost 600,000 customers signed up by the end of the year. Total convergent customer base increased by 56%, exceeding 1.3 million customers as at the end of the year. Half of the company's residential Internet customers also use mobile services rendered by Orange Polska. This ratio rose from 35% at the end of 2016.

In September, a new strategic plan for 2017–2020 called Orange.one was announced. The Group's vision is to become Poland's first choice telecommunications operator



Letter from the Chairman of the Supervisory Board

for consumers and businesses, while creating a business model that will generate sustainable growth in both sales and profits. These objectives will be achieved by developing services and products of the highest quality, supported by the development of our fibre network and digital capabilities, and by significantly increasing our operational efficiency. Orange.one reaffirms the key priorities of the strategy announced at the beginning of 2016, while giving them a new momentum.

2017 saw the continuation of significant investments in fibre network rollout and in the mobile LTE network. The fibre network covered close to 2.5 million households as at the end of 2017. Investments in fibre combined with an attractive convergent offer delivered a spectacular rebound in fixed broadband. Revenue was up 4.5% year-on-year, after many years of decline. This was a result of rapid expansion in the customer base, which grew by almost 11%, the highest annual increase in a decade. In 2018 the Supervisory Board will review fibre investment plans for the years 2019-2020.

In 2017 the customer was at the centre of everything the Group did. As a result, its Net Promoter Score (NPS) put the Group at number two in the market at the end of 2017, up from number three a year earlier.

Financial results were in line with expectations. Revenues totalled PLN 11,381 million in 2017, down 1.4% or PLN 157 million year-on-year. 2017 adjusted EBITDA came in at PLN 3,011 million and was PLN 152 million down versus 2016, or -4.8% which was much lower than 10.1% a year ago. The Group's net loss of PLN -60 million resulted from the PLN 204 million impact of the Social Agreement for the years 2018-2019 and the final settlement of the Social Agreement for the years 2016-2017. Adjusted organic cash flow for 2017 came in at PLN 111 million, down versus PLN 620 million in 2016 due to lower EBITDA and much higher year-on-year working capital requirements.

In 2017 the Supervisory Board supported the Management's recommendation not to pay out dividends in 2017, taking into consideration challenging business outlook, the decision to maximise cash allocation to strategic investment projects, and the potential payment of an EC fine.

The Supervisory Board thanks members of the Management Board and members of the Supervisory Board's committees as well as all employees for their achievements in the year under review.

Maciej Witucki

Chairman of the Supervisory Board



Role of shareholders

Orange Polska encourages shareholders to play an active role in the Company's corporate governance. Shareholder consent is required for key decisions, including: the review and approval of the financial statements and Management Board Report on Activities; the review and approval of the Management Board's recommendations on dividend payments or coverage of losses; the review and approval of the Supervisory Board Assessment of the Group's situation; the election of the members of the Supervisory Board (and, if necessary, their dismissal); amendments to the Company's Articles of Association; increase and reduction of the share capital; and the buy-back of shares.

At the Company's General Meetings, each share in Orange Polska entitles its owner to one vote. In addition to their participation in General Meetings, members of the Company's Management Board and senior executives engage in active dialogue with the Company's shareholders. To ensure that investors receive a balanced view of the Company's performance, Management Board members – led by the President of the Management Board and the Chief Financial Officer – also make regular presentations to institutional investors and representatives of the domestic and international financial community.

Orange Polska Investor Relations

Orange Polska's activity in the area of investor relations focuses primarily on ensuring transparent and proactive communication with capital markets through active co-operation with investors and analysts as well as performance of disclosure obligations under the existing legal framework.

Orange Polska's Investor Relations together with Company's representatives regularly meet with investors and analysts in Poland and abroad and participate in the majority of regional and telecom industry investor conferences.

Orange Polska Group's financial results are presented quarterly during conferences which are also available via a live webcast. In 2017, the Company held four results presentations, as well as a strategy presentation in September. During the year, the Company had around 200 meetings with investors and analysts in Poland and a number of other countries.

Orange Polska's activity and performance are monitored by analysts representing both Polish and international financial institutions on a current basis. As at the end of 2017, 17 financial analysts covered Orange Polska stock and published their reports and recommendations concerning the Company. The up-to-date list of analysts is available on our website: <http://orange-ir.pl/shares/analyst-coverage>

On March 7, 2017, the CFO of Orange Polska answered retail investors' questions during an investor chat held by the

Association of Individual Investors (SII). Around 20 individual investors asked their questions during the chat.

The key purpose of all Orange Polska's Investor Relations efforts is to enable investors to make a reliable assessment of the Company's financial standing, its market position and the effectiveness of its business model, taking into account the company's strategic development priorities in the context of the telecom market and the Polish and international macroeconomic environment.

Orange Polska provides a website dedicated to investors and analysts at www.orange-ir.pl.

Orange Polska's commitment to excel in corporate governance

Corporate Governance in Orange Polska is designed to provide responsible company management and supervision in order to achieve the company's strategic goals and enhance its value. We have created a credible corporate governance framework which consists of mechanisms that help achieve growth. Those mechanisms consist of structures, processes and controls which enable the company to operate more efficiently and mitigate risk. The ability of the company to create value is ensured by having capable governing bodies with a proper division of duties and optimal representation of experience, skills and education. The sustainability of the company is secured by the ability to allocate fairly and sustainably the created value which is necessary to the company's long-term success.

The Management Board provides the leadership necessary to steer the company to its strategic goals. It introduces policies and rules for maintaining the internal cohesiveness of the organisation. All members of the Management Board act as executives, while the members of the Supervisory Board play an oversight role. These two roles are separable and strictly assigned to these governing bodies. The Supervisory Board consists of shareholders' representatives, elected by the General Meeting. In order to exercise its obligations the Supervisory Board may at any time examine any documents of the company, may demand from the Management Board and employees any reports and explanations and may check the financial standing of the company. When necessary the Supervisory Board may oblige the Management Board to commission advisory services to draw up an expert opinion for its use if a matter requires specialised knowledge or qualifications.

In order to ensure quality decision-making, the Supervisory Board uses its committees as advisory bodies. The members of each committee are experts in their field of expertise who provide the Supervisory Board with advice on issues requiring more detailed analysis. The Audit Committee provides the Supervisory Board with wide expertise on finance, accounting and audit. The Remuneration Committee deals with general remuneration policy and recommends appo-

intments of Management Board members. The Strategy Committee is responsible for delivering recommendations on strategic plans and planning processes set up by the Management Board.

The aim of the corporate governance model described above is to properly distribute responsibilities within the company and establish the roles of the key governing bodies, which in turn enhance the decision making process. Its structural elements and the relationships between them, guarantee the transparency of key management decisions.

Orange Polska is fully accountable to its stakeholders and is committed to communicating its progress towards its business goals and the fulfilment of its responsibilities. We do this to increase confidence about our company among investors, customers, employees and the general public. We have paid the utmost attention to constructing a corporate governance system which promotes ethical, responsible and transparent practices. By introducing these rules we are demonstrating the company's commitment to the highest standards of governance and ensuring that these standards will continue to stand up to scrutiny by internal and external stakeholders.

Compliance with Warsaw Stock Exchange Best Practice

Orange Polska S.A., as an issuer of securities listed on the Warsaw Stock Exchange, is obliged to follow the "comply or explain" rule stipulated in the "Best Practice for WSE Listed Companies 2016".

In 2017, the company complied with this corporate governance best practice. However, referring to the Recommendation IV.R.2 of the Best Practice guidelines, the company provides a live broadcast of the General Meeting but it provides neither real-time bilateral communication nor the possibility to exercise the right to vote for shareholders taking part in a Meeting from a location other than the General Meeting, due to the legal risks involved in providing such electronic means of communication.

The full text of our Statement on the company's compliance with the corporate governance recommendations and principles contained in Best Practice for GPW Listed Companies 2016 is available at <http://www.orange-ir.pl/corporate-governance/best-practices>

Governing bodies diversity

We are convinced that diversity of a company's governing bodies is beneficial to the company's development. That is why we make sure that our Supervisory Board and the Management Board consists of people who are diverse in terms of age, sex, education and professional experience. Because they come from different environments and have a diversity of knowledge and skills, they can look from different perspectives at the management of the company and its efficient functioning in its markets.



Our governance structure

Orange Polska has three governing bodies:

1. General Meeting
2. Supervisory Board
3. Management Board

Orange Polska Corporate Governance Structure

General Meeting

Supervisory Board

Chairman

Supervisory Board Members

Audit Committee

Remuneration Committee

Strategy Committee

Management Board

President

Management Board Members

Executive Directors

Organisational business units

The General Meeting is responsible for the following duties (among others):

- review and approval of the financial statement and report on the company's activity in the previous financial year
- distribution of profits or coverage of losses
- confirming the proper execution of duties by the members of the Supervisory Board and the Management Board
- amendments to the Articles of Association, including an increase or reduction of the share capital
- merger or change of the legal form of the company
- appointment and removal of the members of the Supervisory Board
- determining the remuneration of the members of the Supervisory Board

Full details of the matters reserved for the General Meeting's decision making can be found on our website at <http://www.orange-ir.pl/corporate-governance/corporate-documents>

The Supervisory Board is responsible for supervision over the company's activities (including the activities of its controlled subsidiaries) and represents the company in concluding any agreements between Orange Polska and members of the Management Board or in the event of any disputes between the company and members of the Management Board. It is also obliged to ensure that the financial statements and reports on the company's activities meet the requirements of the provisions of accountancy law.

The main duties of the Supervisory Board are:

- evaluation of annual financial statements
- evaluation of the Management Board's report on company's activities and motions of the Management Board regarding distribution of profits or covering of losses as well as submitting a written report on the results of the above mentioned evaluations to the General Meeting
- appointing, dismissing and suspending for important reasons a member of the Management Board or the entire Management Board as well as determining the terms of their remuneration and fixing their the remuneration
- appointing an auditor to examine or inspect financial statements
- stating an opinion on annual and long-term strategies and business plans and annual budget
- stating an opinion on incurring liabilities in excess of the equivalent of EURO 100,000,000 as well as on disposal of the assets in excess of the equivalent of EURO 100,000,000
- submitting a concise evaluation of the company's standing to the General Meeting

Full details of the matters reserved for the Supervisory Board's decision making can be found on our website at <http://www.orange-ir.pl/corporate-governance/corporate-documents>

Criteria for independent Supervisory Board members

The independent members of Orange Polska Supervisory Board satisfy the following conditions:

- not to be, or have been for the previous five years a member of the Management Board of Orange Polska, or its dominant or subsidiary company and not to belong to senior management of such entities
- not to be, or have been within the previous five years an employee of Orange Polska, or its dominant or subsidiary company
- not to receive, or have received, significant additional remuneration or any pecuniary performance from Orange Polska, or its dominant or subsidiary company apart from a fee received as a member of the Supervisory Board
- not to be or to represent in any way, particularly as a management board member, a supervisory board member or senior employee, a dominant shareholder
- not to have, or have had within the previous year, a significant business relationship (as a significant supplier of goods or services, including financial, legal, advisory or consulting services, or significant customer) with Orange Polska or an associated company, either directly or as a partner, significant shareholder, director or senior employee of an entity having such a relationship
- not to be, or have been within the previous three years an external auditor of Orange Polska, or its dominant or subsidiary company or an employee of such auditor
- not to be a member of a management board in a company in which a member of the Management Board of Orange Polska is a member of the supervisory board
- not to have served on the Supervisory Board of Orange Polska for more than twelve years from the date of the first appointment
- not to have, or have had family connections with a member of the Management Board of the company, senior employee of the company, or a dominant shareholder

The Management Board tabled a motion to the Annual General Meeting to amend and adapt the present criteria of independence of the members of the Supervisory Board to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and on Public Oversight, while respecting the requirements of independence defined in the Annex n°2 to the European Commission recommendation of 15 February 2005 (2005/162/WE) on the role of non-executive directors or supervisory directors of listed companies and on the committees of the (supervisory) boards.

The new criteria are as follows:

- 1) not to belong, and not have belonged to the senior management for the previous 5 years, including not to be and not have been either a member of the Management Board of the Company or its affiliated entity
- 2) not to be, or have been for the previous three years an employee of the Company, or its associated, subsidiary or affiliated entity and not to be bound by any similar agreement with such entities
- 3) not to receive, or have received, significant additional remuneration from the Company, or its affiliated entity apart from a fee received as a member of the Supervisory Board, including as a member of the Audit Committee
- 4) not to exercise supervision over the Company within the meaning of the Accounting Act or to represent in any way a shareholder, persons or entities exercising control over the Company
- 5) not to have, or have had within the previous year, a significant business relationship with the Company or its affiliated entity, either directly or as an owner, partner, shareholder, director, member of the supervisory board or other supervisory or controlling body or senior employee, including member of the management board or other governing body of an entity having such a relationship. Business relationship include the situation of a significant supplier of goods or services (including financial, legal, advisory or consulting services), of a significant customer, and of organisations that receive significant contributions from the Company or its group
- 6) not to be, or have been within the previous three years:
 - a) an owner, partner (including a general partner) or a shareholder of a current or former audit firm conducting an audit of a financial statements of the Company or its affiliated entity, or
 - b) a member of the supervisory board or other supervisory or controlling body of a current or former audit firm conducting an audit of a financial statements of the Company, or
 - c) an employee or person belonging to senior management, including a member of the management board or other governing body of a current or former audit firm conducting an audit of a financial statements of the Company or its affiliated entity, or
 - d) another person whose services were used or supervised by a current or former audit firm or statutory auditor acting on behalf of a current or former audit firm
- 7) not to be a member of a management board or other governing body in a company in which a member of the Management Board of the Company is a member of the supervisory board or other supervisory or controlling body, and not to have other significant links with members of the Management Board of the Company through involvement in other companies or bodies

- 8) not to be a member of the Supervisory Board of the Company for more than twelve years
- 9) not to be a close family member of a member of the Management Board of the Company or of persons, referred to in points 1 – 8, in particular not to be a spouse, cohabitant, relative or in-laws in a straight line, and in the collateral line to the fourth degree, of a member of the Management Board or of persons referred to in points 1-8
- 10) not to remain in adoption, custody or guardianship with a member of the Management Board of the Company or with persons, referred to in points 1-8

Additional remuneration, referred to in point 3 above:

- a) covers in particular any participation in a share option or any other performance-related pay scheme
- b) does not cover the receipt of fixed amounts of compensation under a retirement plan including deferred compensation for prior service with the Company, provided that such compensation is not contingent in any way on continued service with the Company.

A relationship with a shareholder precluding the independence of a member of the Supervisory Board within the meaning of point 2 above is also an actual and significant relationship with any shareholder who holds at least 5% of the total vote in the Company.

The Management Board manages Orange Polska's affairs, administers its assets and represents the company towards third parties. It is responsible for any matters relating to the company's affairs which, under the Commercial Companies Code or the company's Articles of Association, do not fall within the competence of the General Meeting or the Supervisory Board. The Management Board implements resolutions of the General Meeting and the Supervisory Board as well as its own resolutions, and is responsible for their execution.

In particular, Board resolutions are required in the following affairs of the Company:

- formulation of the Company's strategies and approval of multi-year plans for development of its individual activity areas
- approval and update of the Company's budget
- fixing amounts of investment outlays and their financing sources
- contracting credit lines and other financial liabilities
- formulation of personnel policies and rules of remuneration within Company
- adoption of annual financial statements and the Management Board's reports on the Company's and the Capital Group's activity
- proposing to the General Meeting motions regarding the distribution of profits or the offsetting of losses

- the Company's property transformation and public trading in the Company's securities
- exercising owner's supervision over companies with Orange Polska participation
- participation in other companies
- concluding and implementing agreements between the Company and any trade unions acting within it
- negotiation and settlement of labour disputes
- rules for filling the posts of key management, including terms and conditions of employment and remuneration rates

Full details of the matters reserved for the Management Board's decision making can be found on our website at <http://www.orange-ir.pl/corporate-governance/corporate-documents>

Executive Directors are responsible for management of specific functions within the company. The task areas of their responsibilities are described in the Orange Polska Organisational Regulations.

Regulating conflicts of interest

Each member of the Supervisory Board should take appropriate action to prevent and resolve conflicts of interest and is obliged to promptly inform the Chairman about all conflicts of interests which have arisen or may arise. Also he/she is obliged to inform the Company immediately about the existence of their relationship with any shareholder who holds shares representing not less than 5% of all votes at the General Meeting of the company, and to provide the company with a quarterly summary on such relationships.

This concerns financial, family and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board.

Each Management Board member is obliged to promptly inform the Company about all conflicts of interests which make impossible or limit his ability to perform any function of a Board member.

Supervisory and Management Board members are obliged to submit quarterly statements including additional information required by the laws and regulations related to the listing of shares on the regulated markets, with the aim of informing the Company about potential conflict of interest. In case of a conflict between the interests of the Company and the personal interests of a Supervisory or Management Board member, or his/her descendants or relatives up to the second degree, a Board member shall abstain from participation in resolving such cases.

The Audit Committee reviews and provides an opinion to the company's Management Board and/or the Supervisory Board on significant transactions with related parties as defined by the corporate rules.

Orange SA's nominees abstain from voting on Supervisory Board meetings and Audit Committee meetings on transactions involving Orange SA or its subsidiaries. Also other members of the Supervisory Board performing functions in other companies which enter into transactions with the Company are excluded from voting on matters relating to such transactions.





Orange Polska governing bodies' activities in 2017

Ownership structure

Interest in the Share Capital (%)



50.67%
49.33%

Number of shares held*

*share = 1 vote at AGM

| | |
|--------------------|---------------|
| Orange SA | 664,999,999 |
| Other shareholders | 647,257,480 |
| <hr/> | |
| Total | 1,312,357,479 |

General Meeting activities in 2017

The Annual General Meeting took place on April 19, 2017 in Warsaw. The Meeting adopted, among others, resolutions on:

- approval of the Management Board's Report on the activity of Orange Polska S.A. in the 2016 financial year
- approval of Orange Polska S.A. financial statements for the 2016 financial year
- approval of the Management Board's Report on the activity of Orange Polska Group in the 2016 financial year

- approval of the consolidated financial statements for the 2016 financial year
- granting approval of the performance of their duties by members of Orange Polska S.A.'s governing bodies in the financial year 2016

The Annual General Meeting decided to cover the loss for 2016 from the Company's retained earnings. Moreover, in order to maximise cash allocation to strategic investment projects (including fibre network and 4G/LTE network roll-out), the Management Board decided not to table a motion to the Annual General Meeting to vote on the dividend payment in 2017.

General Meeting at a glance

The Annual General Meeting is convened by the Management Board (or by the Supervisory Board if the Management Board fails to convene it within the period set out by the law) and it is held within six months after the end of each financial year. The General Meeting is valid regardless of the number of shares being represented. The agenda of the General Meeting is determined by the body that has convened it. Any matters to be resolved by the General Meeting should first be presented by the Management Board to the Supervisory Board for its opinion. The resolutions are adopted by a simple majority of votes cast, unless the Commercial Companies Code or the Articles of Association provide otherwise. Voting at the General Meeting is open. A secret ballot is used at elections or upon motions for removal of the members of the company's Boards or liquidators, or calling them to account for their actions, or in personal matters. A secret ballot is also used whenever requested by at least one of the shareholders or their representatives present at the General Meeting.

An Extraordinary General Meeting is convened by:

- the Management Board, upon its own initiative or upon a written motion of the Supervisory Board or shareholder(s) representing at least 5% of the share capital, in which case the Management Board includes on the agenda the matters indicated by the shareholders requesting the meeting
- the Supervisory Board, if it is necessary in its opinion

- shareholders representing at least half of the share capital or at least half of total votes in the Company

The Supervisory Board or shareholders representing at least 5% of the share capital may request that particular matters be included on the agenda of the next General Meeting.

The shareholders have the following rights:

- they may take part in the General Meeting and exercise the right to vote in person or by attorneys-in-fact (other representatives)
- each shareholder has the right to candidature for the Chairman of the General Meeting or to put forward one candidate for the position of the Chairman of the General Meeting to the minutes
- for each point on the agenda, each shareholder has the right to one speech of five minutes and a reply of five minutes
- each shareholder has the right to ask questions on any matters on the agenda
- each shareholder has the right to object to a decision by the Chairman of the General Meeting; the General Meeting then decides in a resolution whether the decision of the Chairman will be upheld or reversed
- each shareholder has the right to suggest amendments or additions to draft resolutions which are covered by the agenda of the General Meeting. Such suggestions must be raised before the close of discussions on the relevant agenda item.

Supervisory Board activities in 2017

Supervisory Board Members

| | |
|---------------------------------|---|
| 1. Maciej Witucki | Chairman of the Supervisory Board |
| 2. Gervais Pellissier | Deputy Chairman of the Supervisory Board, Chairman of the Strategy Committee |
| 3. Marc Ricau | Secretary of the Supervisory Board, Member of the Audit and Remuneration Committees |
| 4. Dr Henryka Bochniarz | Independent Member of the Supervisory Board, Member of the Strategy Committee |
| 5. Federico Colom Artola | Member of the Supervisory Board, Member of the Audit Committee |
| 6. Jean-Marie Culpin | Member of the Supervisory Board, Member of the Strategy Committee |
| 7. Eric Debroeck | Member of the Supervisory Board, Member of the Strategy Committee |
| 8. Ramon Fernandez | Member of the Supervisory Board |
| 9. Russ Houlden | Independent Member of the Supervisory Board, Chairman of the Audit Committee |
| 10. Prof. Michał Kleiber | Independent Member of the Supervisory Board, Member of the Audit and Strategy Committees |
| 11. Patrice Lambert-de Diesbach | Member of the Supervisory Board, Member of the Strategy Committee |
| 12. Dr Maria Pasło-Wiśniewska | Independent Member of the Supervisory Board, Member of the Audit, Remuneration and Strategy Committees |
| 13. Dr Wiesław Rożlucki | Independent Member of the Supervisory Board, Chairman of the Remuneration Committee |
| 14. Valérie Théron | Member of the Supervisory Board, Member of the Remuneration Committee |

Orange Polska has five independent members on the Supervisory Board: Dr Henryka Bochniarz, Russ Houlden, Prof. Michał Kleiber, Dr Maria Pasło-Wiśniewska and Dr Wiesław Rożlucki.

Members of Supervisory Board don't perform executive function in the company.

Profiles of the Supervisory Board Members can be found on our website at <http://www.orange-ir.pl/corporate-governance/supervisory-board>



Changes in the composition of the Supervisory Board in 2017

On April 19, 2017, the mandates of Messrs. Federico Colom Artola, John Russell Houlden, Patrice Lambert-de Diesbach and Ms. Valérie Théron expired.

On the same day, Messrs. Federico Colom Artola, John Russell Houlden, Patrice Lambert-de Diesbach and Ms. Valérie Théron were appointed by the Annual General Meeting as Members of the Supervisory Board.

Supervisory Board attendance register 2017

| | SUPERVISORY BOARD | AUDIT COMMITTEE | STRATEGY COMMITTEE | REMUNERATION COMMITTEE |
|-----------------------------|-------------------|-----------------|--------------------|------------------------|
| Maciej Witucki | 5/6 | | | |
| Gervais Pellissier | 4/6 | | 3/3 | |
| Marc Ricau | 6/6 | 7/7 | | 8/8 |
| Henryka Bochniarz | 5/6 | | 3/3 | |
| Federico Colom Artola | 6/6 | 7/7 | | |
| Jean-Marie Culpin | 6/6 | | 3/3 | |
| Eric Debroeck | 5/6 | | 2/3 | |
| Ramon Fernandez | 4/6 | | | |
| Russ Houlden | 6/6 | 7/7 | | |
| Michał Kleiber | 6/6 | 3/3 | 3/3 | |
| Patrice Lambert-de Diesbach | 5/6 | | 3/3 | |
| Maria Pasło-Wiśniewska | 6/6 | 7/7 | 3/3 | 8/8 |
| Wiesław Rozłucki | 6/6 | | | 8/8 |
| Valérie Théron | 6/6 | | | 7/8 |

-  Actual number of meetings attended
 Maximum number of scheduled meetings which the directors could have attended

Rules for appointing a Supervisory Board member and the term of office

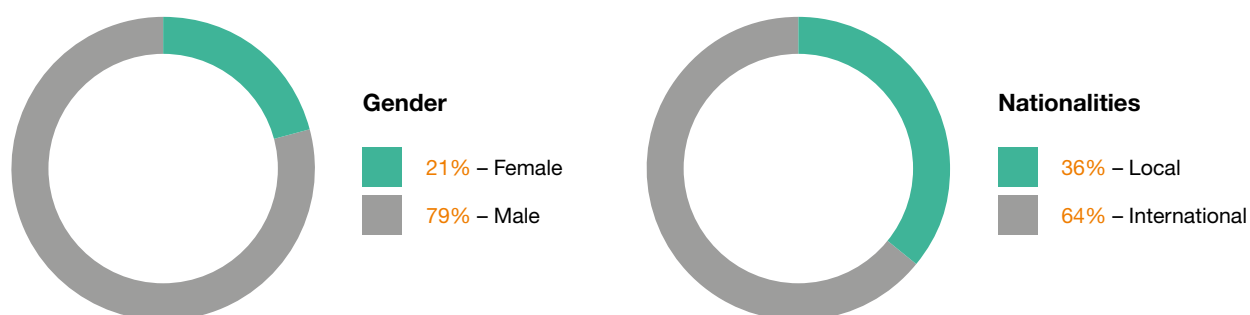
Members of the Orange Polska Supervisory Board should have the relevant education, professional and practical experience and high moral standing. They should also be able to devote the time required to properly perform their role on the Supervisory Board.

Members of the Supervisory Board are appointed by the General Meeting. Each shareholder has a right to put forward potential candidates to be Supervisory Board members, and the eventual members are appointed at the General Meeting by a simple majority of votes cast.

In case the mandate of a member of the Supervisory Board expires for reasons other than end of the term of office or dismissal from the Supervisory Board, the rest of the members of the Supervisory Board may appoint, by a majority of two thirds of the votes cast, a new member of the Supervisory Board.

The mandate of any such newly appointed member expires on the date of the next General Meeting held not earlier than five weeks after the appointment. The term of office of Supervisory Board members is three years. Mandates of the Supervisory Board members expire on the day of the Annual General Meeting approving financial statements for the second full accounting year of their term in office (also as a result of death, resignation or dismissal).

Supervisory Board diversity



Length of tenure



Age profile



Supervisory Board skills matrix

| | Economics and Finance | Management and Strategy | Law and administration | Engineering and Technology | Psychology and Humanities | Sales and Marketing | Public administration | Scientific activity |
|-----------------------------|-----------------------|-------------------------|------------------------|----------------------------|---------------------------|---------------------|-----------------------|---------------------|
| Maciej Witucki | ✓ | ✓ | | ✓ | | | | |
| Gervais Pellissier | ✓ | ✓ | ✓ | | | | | |
| Marc Ricau | ✓ | ✓ | | ✓ | | | | |
| Henryka Bochniarz | ✓ | ✓ | | | ✓ | | ✓ | ✓ |
| Federico Colom Artola | ✓ | ✓ | | | | ✓ | | |
| Jean-Marie Culpin | | ✓ | | ✓ | | ✓ | | |
| Eric Debroeck | | ✓ | ✓ | ✓ | | | | |
| Ramon Fernandez | ✓ | ✓ | ✓ | | | | ✓ | |
| Russ Houlden | ✓ | ✓ | | | | | ✓ | |
| Michał Kleiber | ✓ | ✓ | | ✓ | | | ✓ | ✓ |
| Patrice Lambert-de Diesbach | ✓ | ✓ | ✓ | | | | | |
| Maria Pasło-Wiśniewska | ✓ | ✓ | | | ✓ | | ✓ | ✓ |
| Wiesław Rozłucki | ✓ | ✓ | ✓ | | | | ✓ | |
| Valérie Thérond | ✓ | ✓ | | | | | | |



On the Supervisory Board's agenda for 2017

Throughout 2017, the Supervisory Board focused on the following issues:

Orange.one strategic plan for 2017-2020

A new mid-term strategic plan for 2017-2020 was finally accepted and announced to the market in September as "Orange.one". The key aims of the plan are: to achieve for Orange Polska the position of first choice telecommunications operator for both retail and business customers; and to provide a stable business model based on a balanced increase in both sales and profits over the longer term.

Orange Love offer and benefits from convergence

The Orange Love convergent offer addressed to Polish households and small businesses was launched successfully in February. The Company's convergent customer base increased in 2017 by 471,000 or 56% year-on-year to 1.3 million. The simplicity of the offer, combined with its attractive price and our good execution were key driving forces behind the popularity of Orange Love. The Supervisory Board closely monitored sales and the growth of the customer base as a result of this offer.

Fibre network and fixed broadband

Intensive expansion of the fibre access network by almost 70% meant that its coverage included almost 2.5 million households at the end of 2017. This expansion was a significant reason why fixed broadband revenues increased by 4.5% and the customer base grew by almost 11%. The increase in our TV customer base was similar (11%). All this has enabled us to grow our market share.

Financial results and operational performance in comparison to the budget

In view of the high level of investment and very strong competition, the Supervisory Board paid great attention to the financial results. Orange Polska achieved its 2017 adjusted EBITDA guidance at PLN 3,011 million, and limited the decline in revenues, which in 2017 amounted to PLN 11,381 million, falling by PLN 157 million. That represents a drop of -1.4% year-on-year, versus -2.4% in 2016 and -2.9% in

2015. The decline in fixed revenues was 3.2% compared to 7.5% in 2016. The increase by +5% (464,000) in the number of mobile post-paid customers should also be noted.

The company reported a net loss for 2017 of PLN 60 million. This resulted from the PLN 204 million impact of the Social Agreement for the years 2018–2019 and the final settlement of the Social Agreement for the years 2016–2017.

Customer satisfaction

Ensuring smart customer service and increasing customer satisfaction was still an important item on the agenda of the Supervisory Board. We believe the Orange Love offer and fibre services were the main drivers behind the improvement in Orange Polska's NPS (Net Promoter Score) ranking, from third place to second.

Incentive Programme

Together with the Orange.one strategic plan the Supervisory Board adopted a new Incentive Programme in the form of phantom shares settled in cash. This programme is open to the Management Board Members, Executive Directors and key managers of Orange Polska, including selected members of the management boards of subsidiaries, and is based on the Company's share price performance on the Warsaw Stock Exchange.

Management Board composition

On February 7, 2017 the Supervisory Board reappointed Mariusz Gaca, Maciej Nowohoński and Jacek Kowalski for the next terms of office as members of the Management Board. In accordance with best practice the renewals were made more than two months before the expiration of their terms of office. Mariusz Gaca is the Vice-President of the Management Board in charge of Consumer Market, Maciej Nowohoński is the Board Member in charge of Finance and Jacek Kowalski is the Board Member in charge of Human Resources.

On 24 November 2017 Piotr Muszyński, Vice-President of the Management Board in charge of Strategy and Transformation resigned from his position with immediate effect for personal reasons.

Assessment of Orange Polska Group's Standing by the Supervisory Board

The Assessment of Orange Polska Group's Standing is based on the 2017 financial results of the Group (the Company and its subsidiaries) as well as on the information obtained by the Supervisory Board while conducting its statutory tasks.

The Supervisory Board, through the work of its committees and all its members (including independent members), was actively engaged in the process of evaluation of the Group's most important initiatives, having in mind the interests of all the Group's stakeholders, including shareholders. In addition, it maintained oversight of the Group's operational and financial goals through management reporting at its quarterly meetings and was able, through the Audit Committee, to review and challenge the control, risk management and budgeting functions performed by the Management.

Group's Operational Review

In 2017 Orange Polska made significant changes to its commercial approach and announced a new strategic plan which sets targets and actions till 2020. Thanks to the focus on value, financial performance was improved while still delivering very solid commercial results.

The new strategic plan for 2017–2020, called Orange.one, was announced in September. The Group's vision is to become Poland's first choice telecommunications operator for consumers and businesses, while creating a business model that will generate sustainable growth in both sales and profits. These objectives will be achieved by developing services and products of the highest quality, supported by the development of our fibre network and digital capabilities, and by significantly increasing our operational efficiency. Orange.one reaffirms the key priorities of the strategy announced at the beginning of 2016, while giving them a new momentum. All the Group's business decisions will be driven to a greater extent by value creation, and our customer propositions will be driven by simplicity and consistency.

In February 2017, Orange Polska launched the Orange Love offer, which introduced our customers to a new approach to convergence. Instead of offering discounts on each additional service purchased, Orange Love is based on a predefined set of services – a “hard bundle”. This bundle includes broadband access (via the best available technology in each customer's location), a package of around 100 TV channels, abundant mobile service and a home phone. The basic package can be extended to include various additional services, and supplemented by a broad portfolio of smartphones. Orange Love – a unique offer on the market – has become our flagship proposal for Polish households. It has been very well received: almost 600,000 customers signed up by the end of the year. Our total convergent customer base increased by 56%, exceeding 1.3 million customers at the end of the year. Half of our residential internet customers

also use mobile services rendered by Orange Polska. This ratio rose from 35% at the end of 2016.

At the end of August 2017, Orange Polska radically revised its consumer market offers to make them simple, while increasing value generation; for example, the number of mobile voice tariffs was cut from 18 to four, and the tariffs themselves are now simpler. In addition, value-dilutive offers, rebates and promotions were cancelled. Both mobile and convergent offers have become structured around a “more for more” approach. Although subsidised smartphones are available only as part of the Orange Love package, growth of the post-paid mobile customer base in 2017 was still strong, at 5%.

Significant investments in fibre network rollout and in mobile LTE network, combined with an attractive convergent offer, delivered a spectacular rebound in fixed broadband. Revenue from this business was up 4.5% year-on-year, after many years of decline, as a result of rapid customer base expansion. The customer base grew by almost 11%, the highest annual increase in a decade. This impressive performance was made possible by the convergence strategy and investments in our fibre and mobile networks. Close to 2.5 million households were in the range of fibre at the end of 2017, making the Group's fibre service available in 75 cities, and in 21 of those Orange is available to more than 50% of households.

In 2017 the customer was at the centre of everything the Group did. As a result, its Net Promoter Score (NPS) put the Group at number two in the market at the end of 2017, up from number three a year earlier. On one hand, customers appreciate the rapid improvements in connectivity thanks to the expansion of the fibre network (mentioned above), convergent strategy, and the increasing simplicity of offers. On the other hand, the score reflects continual efforts to make the customer experience as simple as possible by eliminating unnecessary pain-points and procedures. Throughout 2017, the Group's approach evolved: it is now driven by customer journeys (different types of experience, such as purchase, payment, termination or help). This has allowed us to provide a standardised and coherent quality of service across all customer touchpoints.

Group's Financial Overview

The Group's key goals in 2017 were to:

- Realise benefits from the recent organisational changes in the Company
- Maximise market opportunities from the newly launched convergence offer Orange Love
- Work out new actions that will improve monetisation of the strategy and business transformation, including new cost-cutting initiatives
- Consider balance sheet deleveraging initiatives

- Provide during the year an update regarding mid-term strategic and financial outlook
- Continue fibre network rollout to cover more than 1 million new households connectable
- Closely monitor the commercial strategy, aimed mainly at monetisation of fibre network, and develop further actions to strengthen the Company's position in all of its markets of operation
- Implement further improvements to customer experience management to continue to increase customer satisfaction and loyalty
- Participate in the POPC programme
- Deliver restated EBITDA in the guidance range of around PLN 3.0bn (raised from the range of PLN 2.8-3.0 billion in October 2017)
- Maintain financial stability and closely monitor the level of debt ratios (net debt-to-restated EBITDA not to exceed 2.6)

Revenues totalled PLN 11,381 million in 2017, down 1.4% or PLN 157 million year-on-year. There was a considerable improvement in the trend of fixed revenues, as their erosion was contained at 3.2% versus 7.5% in 2016, despite a continued slump of about 13% in traditional voice revenues (affected by negative structural factors). Fixed broadband revenues improved greatly with growth of 4.5% in 2017 compared to a decline of 3.9% in 2016. This was driven by rapid customer base expansion, which increased by almost 11%.

The declining trend in mobile revenues can be mainly attributed to the implementation of a value-driven commercial strategy. Our focus on value and convergence was reflected in a radical reduction in handset subsidies, which resulted in a considerable rise in unit sales prices accompanied by a decline in sales volume and, consequently, a significant increase in the share of SIM-only transactions. This strategy led to an improvement in EBITDA, but had a negative impact on both mobile equipment sales and ARPU.

Other revenues jumped by 35% year-on-year, driven by sales of ICT equipment, higher sales of wireless broadband equipment and consolidation of the results of new acquisition Multimedia Polska Energia (for less than four months).

2017 adjusted EBITDA came in at PLN 3,011 million and was PLN 152 million down versus 2016. Adjusted EBITDA margin stood at 26.5%, down 0.9 percentage points year-on-year. The decline of 4.8% was much lower than 10.1% a year ago. This was driven by an improvement in the direct margin trend and optimisation of indirect costs.

The Group's bottom line for 2017 stood at PLN -60 million. The loss resulted from PLN 204 million impact of the Social Agreement for the years 2018–2019 and the final settlement of the Social Agreement for the years 2016–2017. The bot-

tom line benefited from lower depreciation (down PLN 153 million as a result of extending the useful life of certain fixed assets) and PLN 55 million lower net financial costs (mainly owing to stronger PLN versus EUR impacting discount expense).

Adjusted organic cash flow for 2017 came in at PLN 111 million, down from PLN 620 million in 2016. This year-on-year decrease stemmed from lower EBITDA and much higher year-on-year working capital requirements (PLN 381 million). The latter was mainly a consequence of handset inventory restocking, lower year-on-year positive effect of reverse factoring transactions, and different timing of settlements with one of our carrier customers.

In 2017 the Group did not pay out a dividend, taking into consideration the challenging business outlook, the decision to maximise cash allocation to strategic investment projects, and the potential payment of an EC fine.

Conclusions and 2018 Recommendations

In 2017 Orange Polska continued to enhance its commercial position on the Polish telecom market, especially in high-speed fixed broadband and pay-TV. Despite lower subsidies, satisfactory commercial results were maintained in mobile post-paid and customers' perception of Orange services further improved. Financial results were in line with our objectives. In 2018 Orange Polska will focus mainly on executing the priorities set out in Orange.one, which are to enable the turnaround.

The Supervisory Board's opinion is that in 2018 the Group should focus, in particular, on the following key aspects:

- Follow the priorities set in Orange.one
- Execute commercial plans, which include capitalising on the new offer portfolio that we introduced in 2017
- Increasing monetisation of the fibre project
- Continue fibre network rollout to cover more than 1 million new households connectable (including implementation of the Digital Poland Operational Programme (POPC))
- Continue business transformation, including cost cutting initiatives to increase efficiency.
- Implement further improvements in customer experience management to continue to increase customer satisfaction and loyalty
- Consider balance sheet deleveraging initiatives
- Deliver stable restated EBITDA versus 2017, that is around PLN 3.0 billion under IAS 18 accounting standard (around PLN 2.75 billion under new IFRS 15 accounting standard)
- Maintain financial stability and monitor closely the level of debt ratios, that is net debt-to-restated EBITDA not to exceed 2.6 under IAS 18 accounting standard (not to exceed 2.8 under IFRS 15 new accounting standard)

Supervisory Board at a glance

The Supervisory Board consists of between nine and 16 members, at least one third of whom should be independent members. The Supervisory Board should hold meetings at least once a quarter. The Supervisory Board appoints and removes the Management Board President and other members of the Management Board. Unless otherwise provided for in the Articles of Association, the Supervisory Board adopts resolutions in an open vote with a simple majority of votes cast and in the presence of at least half of all members of the Supervisory Board. The Supervisory Board elects from among its members the Chairman, who convenes and chairs the meetings of the Supervisory Board. In case of a tied vote, the Chairman has the casting vote. The Supervisory Board has established three committees which are its advisory bodies:

- Audit Committee
- Remuneration Committee
- Strategy Committee

Only a member of the Supervisory Board can be a member of any of its committees. The Committees make decisions by an ordinary majority of votes. The chairmen of the Committees are appointed by the Supervisory Board. They manage the Committee's work, convene meetings and in the case of a tied vote, they have the casting vote.

Orange Polska adheres to the rules detailed in the Annex I to the European Commission Recommendation of February 15, 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board [Official Journal of the European Union L 52/51, dated 25.2.2005]



Audit Committee activities in 2017

Audit Committee members

1. John Russell Houlden – Chairman
2. Federico Colom Artola
3. Prof. Michał Kleiber
4. Dr Maria Pasło-Wiśniewska
5. Marc Ricau

The Audit Committee is chaired by Mr. John Russell Houlden, an independent Member of the Supervisory Board. He has relevant experience and qualifications in finance, accounting and audit. Other independent members of the Committee are Prof. Michał Kleiber and Dr Maria Pasło-Wiśniewska.



The key function of the Committee is to review the integrity of the financial information reported externally, the independence and objectivity of the Company's external auditors, the nature and scope of the audit, and the auditors' work.

Letter from the Chairman of the Audit Committee

Dear Shareholders,

I am pleased to attach my report on the activities of the Audit Committee over the past 12 months.

In 2017, EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014, as well as the new Polish Act on Auditors of 11 May 2017, came into force. As a consequence, the composition of the Audit Committee was changed and it now consists of five members, three of whom are independent. Also, while the Audit Committee of Orange Polska previously played a major role in the selection of an auditor, in 2017, its responsibilities were extended in line with the new law.

A significant part of the work of the Audit Committee in 2017 related to the preparation for implementation of new International Accounting Standards and, in particular, IFRS 9 (financial instruments), IFRS 15 (Revenue from contracts with customers) and IFRS 16 (Leases). The standards allow for different approaches to their implementation. The Audit Committee reviewed the manner of implementation proposed by Management and was satisfied that the company will implement the standards in an appropriate way.

One of the main responsibilities of the Audit Committee is to ensure proper financial reporting by the company and

Group. As part of this, we review all significant accounting judgements and estimates proposed by Management. The most significant areas of judgement were those regarding IFRS 15 implementation and presentation of revenue under this standard as well as the impairment analysis results.

The Audit Committee has also been involved in reviewing internal control and compliance, the risk management processes and the external audit of the company and Group financial statements. In particular, the Committee works to ensure the independence of both the external auditor and internal audit team, and had private meetings with the external auditor and the head of the company's internal audit team to give them an opportunity to discuss any issues which may have arisen in their work with Management.

Last, but not least, the independent members of the Audit Committee reviewed and, when necessary, challenged the terms of significant transactions with related parties including, in particular, the majority shareholder, Orange S.A.

A more detailed summary of the activities of the Audit Committee is presented below.

Russ Houlden

Chairman of the Audit Committee



On the Audit Committee's agenda for 2017

The Audit Committee held seven regular meetings in 2017. The committee performed in particular the following activities:

Monitoring the financial reporting process and budgetary planning and control

The Committee, on behalf of the Supervisory Board, has monitored the process of financial reporting. Committee members reviewed the quarterly and yearly financial statements along with reports from the management on financial performance, accounting policies and procedures, accounting estimates and judgments, one-off items and market guidance.

The Committee also reviewed the Group's budget and addressed recommendations on it to the Supervisory Board; in addition, the Committee reviewed the Group's performance against the budget, as presented in regular reports from the management.

Recommendation on the appointment of the statutory auditor

The Committee reviewed the prior year's performance of the external auditor and recommended to the Supervisory Board the reappointment of Ernst & Young as the statutory auditor for 2017. The terms of reappointment included the auditor's remuneration, terms of engagement, audit plan and the materiality level set for audit conclusions.

Monitoring of statutory auditor's performance and independence

Reviewing the scope and the results of the external auditor, Ernst & Young, its independence and objectivity, was a significant part of the Audit Committee's duties and activities.

All non-audit services provided by the external audit firm were approved in advance by the Chairman of the Committee. In addition, the Committee reviewed the external auditors' proposed audit plan, including the materiality level set for audit testing. The Committee also monitored the Group's responsiveness to the recommendations from the external auditor. In addition, the Committee met privately with the lead partner of the statutory audit firm.

Monitoring the effectiveness of internal audit, internal control systems and risk management

The Audit Committee reviewed the annual plan of Internal Audit, its budget and progress reports. The Committee monitored the periodic reporting on internal audit actions and findings. The Committee monitored the responsiveness of management to Internal Audit findings and recommendations. In addition, the Committee met privately with the Director of Internal Audit and reviewed the independence of the Internal Audit process.

The Committee reviewed the effectiveness of the internal control and risk management system. Its members received reports from the management on the system, and monitored the appropriateness of "control culture" as well as the way risks were identified, managed and disclosed. The Committee also reviewed reports from the management on implementation of actions in response to comments on internal controls from the internal and external auditors.

The Committee also reviewed the Group's compliance system in areas such as: overall compliance with laws and regulations; ethics; anti-fraud; security; anti-corruption; and monitored the operations of the Ethics Committee, as well as the results of investigations initiated in response to whistle-blowing.

Monitoring changes in the legal environment and changes in accounting standards

Relevant changes in the legal environment, together with updates to accounting standards and recommendations from regulatory bodies, were considered by the Audit Committee, as well as the question of how Orange Polska Group approached and implemented them. The Committee also reviewed the improvement of alternative performance measures disclosure in line with ESMA guidelines.

Other areas of interest

The Committee reviewed and issued opinions on significant transactions with related parties, in line with internal regulations and best practices of corporate governance. Orange SA's nominees are excluded from voting on Supervisory Board meetings and Audit Committee meetings on transactions involving Orange SA or its subsidiaries.

The Committee reviewed other matters of interest, including but not limited to revenue assurance, hedging and insurance.

Criteria for independent Audit Committee members

A member of the Committee is independent if she/ he meets the following criteria:

- 1) not to belong, and not have belonged to the senior management within the last 5 years from the date of appointment; including not to be and not have been either a member of the Management Board of the Company or its affiliated entity
- 2) not to be an employee of the Company or its associated entity, and not have been in such a position for three years preceding the date of appointment, except when a member of the Committee is an employee not belonging to senior management and has been elected to the SVB as employee representative
- 3) not to exercise supervision as a dominant entity within the meaning of Article 3 clause 1 item 37 a-e of the Act of 29 September 1994 on Accounting or not to represent individuals or entities which exercise supervision over the Company
- 4) not to receive, or have received, significant additional remuneration from the Company or its associated entity apart from a fee received as a member of the Supervisory Board, including the Committee
- 5) not to have, or have had within the last year since the date of appointment, a significant business relationship with the Company or its associated entity, either directly or as an owner, partner, shareholder, member of the Supervisory Board or other supervisory or controlling body or senior employee, including a member of the Management Board or other governing body of an entity having such a relationship
- 6) not to be, or have been within the previous two years since the date of appointment:
 - a) an owner, partner (including a general partner) or a shareholder of a current or former audit firm conducting an audit of a financial statement of the Company or its associated entity, or
 - b) a member of the Supervisory Board or other supervisory or controlling body of a current or former audit firm conducting an audit of a financial statement of the Company, or
 - c) an employee or person belonging to senior management, including a member of the Management Board or other governing body of a current or former audit firm conducting an audit of a financial statement of the Company or its associated entity, or
 - d) another natural person whose services were used or supervised by a current or former audit firm or statutory auditor acting on behalf of a current or former audit firm
- 7) not to be a member of a management board or other governing body of an entity in which a member of the supervisory board or other supervisory or controlling body is a member of the Management Board of the Company
- 8) not to be a member of the Supervisory Board for more than 12 years
- 9) not to be a spouse, cohabitant, relative or in-laws in a straight line, and in the collateral line to the fourth degree, of a member of the Management Board of the Company or of a person referred to in points 1-8
- 10) not to remain in adoption, custody or guardianship with a member of the Management Board of the Company or with a person, referred to in points 1-8

Additional remuneration, referred to in point 4 above:

- 1) covers participation in a share option or any other performance-related pay scheme
- 2) does not cover the receipt of fixed amounts of compensation under a retirement plan, including deferred compensation, for prior service with the Company, provided that such compensation is not contingent in any way on continued service with the Company

Audit Committee at a glance

The Committee consists of at least three members, the majority of whom, including the Chairman, are independent of the Company. The Audit Committee meets at least on a quarterly basis before the publication of the financial statements. The role of the Committee is to review the integrity of the financial information reported externally, the independence and objectivity of the Company's external auditors, the nature and scope of the audit and the auditors' work as well as internal audit, internal control and risk management systems and significant transactions with related parties, and to advise the Supervisory Board on these issues as appropriate.

The key functions of the Audit Committee include:

- supervision of the integrity of the financial information provided by the Company
- reviewing at least annually the Orange Polska Capital Group's system of internal control and risk management systems
- reviewing annually the Internal Audit programme
- analysing reports of the company's Internal Audit and major findings of any other internal investigations
- reviewing and providing an opinion to the company's Management Board and/or the Supervisory Board on significant transactions with related parties as defined by the corporate rules
- controlling and monitoring the independence and objectivity of the statutory auditor and audit firm
- informing the Supervisory Board about the results of the audit and explaining how the audit contributed to the fairness of financial reporting in the Company
- assessing the independence of a statutory auditor and allowing a statutory auditor to carry out authorized non-audit services
- drawing up the policy on selection of an audit firm and the policy on the provision of authorized non-audit services by an audit firm conducting the audit, by entities affiliated with that audit firm and by a member of their networks
- determining the procedure of selection of an audit firm
- giving the Supervisory Board recommendations, referred to in art. 16 clause 2 of the Regulation no. 537/2014 of the European Parliament and of the Council of 16 April 2014, in accordance with the policy on selection of an audit firm and the policy on the provision of authorized non-audit services by an audit firm conducting the audit, by entities affiliated with that audit firm and by a member of their networks;
- giving the Supervisory Board recommendations to ensure the fairness of the financial reporting process in the Company
- discussing (in or without the presence of the Company's Management Board) any problems or reservations identified by the statutory auditor and resulting from the financial statements audit
- reviewing the effectiveness of the external audit process, and the responsiveness of the Management Board to recommendations made by the external auditor

In addition to the role performed by the Audit Committee, the management of the Company undertook the following measures to ensure overall compliance and the highest standards of conducting business activity.

Compliance in Orange Polska

Orange Polska has introduced a Compliance Management Programme. We see this as a clear declaration that we operate in a fair, transparent and trustworthy manner. The Programme embraces our obligations to act in line with the law, applicable standards, regulations, market and industry standards, as well as ethical principles, both in our dealings with clients and business partners and between employees within Orange Polska. The Compliance Management Pro-

gramme is a permanent element of Corporate Governance and all employees participate in building a culture that is based on its rules.

Implementation and development of the Programme is supervised by the Chief Compliance Officer and the Compliance Officer. A special role is assigned to managers who, as the first point of contact, provide their employees with knowledge, advice and help in case of doubts or problematic situations.

One of the key elements of the Compliance Management Programme is the Anti-Corruption Policy, through which we adopt a zero-tolerance approach towards corruption with regard to every aspect of our activities. Orange Polska pla-

ces such requirements on all employees, co-workers and business partners who act on our behalf. The correct application of Anti-Corruption Policy rules is supported by internal regulations with detailed guidelines and instructions aiming to identify and effectively prevent irregularities.

The Compliance Management area provides continuous information and training to build our employees' awareness and knowledge. If a problematic situation arises, employees can access ongoing consultation, advice and opinions. All employees and stakeholders can also report their doubts or observed irregularities (such as conflict of interest, cases of corrupt behaviour or other violations of applicable laws) through dedicated channels, either anonymously or openly, without fear of negative consequences. All such notifications are treated confidentially and examined and addressed with due diligence.

Matters related to the implementation of the Compliance Management Programme are reported to the Audit Committee of the Supervisory Board in the following areas: ethics, general compliance with laws and regulations, anti-fraud, security and anti-corruption. As part of its periodic reports, the Compliance Management function informs the Audit Committee about activities carried out, including the results of inspections initiated by notification of irregularities through dedicated channels.

Orange Polska actively cooperates with the Compliance functions within the international Orange Group, sharing good practices and maintaining the Group's anti-corruption standards.

Internal Audit

The Internal Audit function provides the Audit Committee, the Management Board and senior management with independent and objective assurance and advice on governance, risk management and internal control. It assists the organisation in reaching its objectives by systematically and methodically evaluating its processes, risk management and internal control system, and suggesting changes which would increase their effectiveness. Internal Audit responsibilities are clearly defined and approved as stated in the internal audit charter, which is reviewed annually by the Audit Committee.

The Internal Audit function acts in conformity with the Standards for the professional practice of Internal Auditing and the Code of Ethics issued by the Institute of Internal Auditors (IIA).

Internal Audit plans are drawn up annually and take account of risk assessment, changing business needs and issues

raised by management, follow-up on prior audit findings and cyclical review planning. The approach also builds reserved hours into the plan for ad-hoc, specially requested audits, and for urgent audit issues that arise throughout the year. The annual Internal Audit plan is submitted for review and opinion to the Management Board President and the Audit Committee. Once executed, the Internal Audit makes recommendations to address any key issues and improve processes. Progress on their implementation by management, as well as progress against the annual Internal Audit plan, is monitored and regularly reported to the Audit Committee. In the course of its work, the Internal Audit function also liaises with the statutory auditor, mainly assisting them in internal control testing which ultimately supports the assurance provided to the Audit Committee and management.

The effectiveness of the Internal Audit is monitored using the quality assurance and improvement program which is composed of internal assessment activities and annual external assessment by IFACI - l'Institut Francais de l'Audit et du Controle Interne (the French Chapter of the IIA). Following the assessment carried out in 2017, Orange Polska's Internal Audit maintained its IIA certification from IFACI.

Internal Audit covers all of Orange Polska Group's activities, and reports to the Audit Committee, and to the Management Board President. The Director of Internal Audit attends all scheduled meetings of the Audit Committee, and also has the power to raise any matters with the members of the Committee without the presence of management.

Internal control

As a response to operational and financial reporting risks, the Management implements internal controls at various levels of the organisation. The scope of these controls starts from, but is not limited to, transactional level controls, line managers' or corporate reviews, trend analysis, reconciliation controls and goes up to the entity level controls. The aim is to provide reasonable assurance in safeguarding assets, detecting errors, the accuracy and completeness of accounting records, and the overall reliability of the financial statements.

The Management continuously monitors the evolution of the control environment. It ensures that all significant changes are sufficiently controlled and any identified deficiencies in the internal control system are addressed with action plans.

On a quarterly basis, Senior Managers certify the effectiveness of the internal controls in their areas of responsibility. On a yearly basis, the controls are subject to testing by the Internal Control team, Internal and External Auditors.

In 2017, the Management once again completed a comprehensive assessment of the Group's internal controls over financial reporting. Any deficiencies identified were corrected or appropriate action points have been adopted. The Management concluded that there were no weaknesses that would materially impact internal control over financial reporting at December 31, 2017.

Ethics

Ethics in Orange Polska

Ethics in Orange Polska arise from the very basic need to maintain ethical standards in daily business activity. The standards and values implemented within the Company guide people in their mutual relations (both personal and business) helping them to support the Company's business objectives and build the best possible relationship with the environment. Ethical standards are included in the Orange Polska Code of Ethics, which provides our employees with a roadmap for the ethical behaviour expected by our shareholders, customers and business partners. The Orange Polska Code of Ethics shares the same standards as other companies within the Orange Group.

Role of the Orange Polska Ethics Committee

The Orange Polska Ethics Committee is an advisory body which acts as the guardian of ethical standards in the Company. It analyses any accusation of non-ethical behaviour that might arise from day to day, and educates employees to strengthen their understanding of ethical principles in the workplace. It also increases employees' knowledge and awareness of everyday ethical fundamentals via e-training that identifies possible situations employees might encounter, and gives them examples of proper ethical behaviour.

Orange Polska employees can easily contact the Committee if they suspect a breach of ethics, either electronically (using the anonymous contact form on our intranet site) or by mail. It is also possible to send a letter or email directly to the Chairman of the Audit Committee. All inquiries are conducted in a strictly confidential manner.

Having proper ethical standards as a core element of our culture underpins Orange Polska's good relations with our business partners and the market as a whole.



Strategy Committee activities in 2017

Strategy Committee members

1. Gervais Pellissier – Chairman
2. Dr Henryk Bochniarz
3. Jean-Marie Culpin
4. Eric Debroeck
5. Prof. Michał Kleiber
6. Patrice Lambert de Diesbach
7. Dr Maria Pasło-Wiśniewska

Mr. Maciej Witucki, Chairman of the Supervisory Board, and Mr. John Russell Houlden, Independent Board Member and Chairman of the Audit Committee, participate in the meetings of the Strategy Committee on a permanent basis.



The Committee gives its opinions and recommendations to the Supervisory Board on the strategic plans set out by the Management Board, as well as any further suggestions to strategic plans made by the Supervisory Board, in particular concerning key strategic directions.

Letter from the Chairman of the Strategy Committee

Dear Shareholders,

The Strategy Committee of the Orange Polska Supervisory Board, in execution of its role in shaping and reviewing the Orange Polska strategy, analysed a variety of key topics in the course of its work in 2017. They were organised notably around three ordinary meetings of the Committee, where we focused, first and foremost, on the participation of the Company in the government-subsidised Digital Poland Operational Programme, examining business opportunities and context related to the Company's ambitious FTTH investment activity within the Programme. The members of the Strategy Committee were also actively involved in Supervisory Board review and consultation of the Strategic Plan update, which was performed by the entire Supervisory Board in view of the importance of the matter.

Other themes explored by the Committee included the Company's radio frequency spectrum assets, crucial for the development of its networks in view of the exponential growth in data usage and new technologies ahead of us. This was linked with in-depth discussions on 5G development worldwide and, more particularly, in Europe, as well as its consequences and the necessary steps to be taken by Orange Polska.

I would like to thank all the permanent members of the Committee, as well as other regularly participating Supervisory Board members and invited guests for their invaluable contributions to the works of the Committee and the assistance I deeply believe the Committee provides to the Supervisory Board and the Company as a whole.

Gervais Pellissier

Chairman of the Strategy Committee

On the Strategy Committee's agenda for 2017

Orange Polska fibre strategy and its execution, including participation in Digital Poland Operational Programme

Unsurprisingly, and as already concluded by the Committee in 2016, fibre (FTTH) investment remains critical to Orange Polska's success. This is why this topic remained a focal point on the Committee's agenda in 2017.

Apart from tracking the development and execution of the Company's fibre strategy and investment programme, the Committee notably analysed Orange Polska's participation in the government-subsidised Digital Poland Operational Programme (POPC). The objective of the POPC programme is to bridge the digital divide, most importantly through European-funded fibre investments, mainly in rural areas, as well as supporting the country's digital transformation with a variety of projects in education or public services.

The Committee had a positive opinion on the Company's approach to POPC and the financial mechanism of its involvement in the Programme, balancing POPC and its own fibre investments, and carefully looking into the profitability of different projects. Orange Polska's POPC participation proved successful. In the second POPC tender, Orange Polska won 18 out of 79 possible zones: over 360 thousand households and two thousand schools are to be covered in the Orange Polska-won area.

Strategy Committee at a glance

The Strategy Committee should meet at least twice a year. The Committee gives its opinions and recommendations to the Supervisory Board on the strategic plans set out by the Management Board, as well as any further suggestions to strategic plans made by the Supervisory Board, in particular concerning key strategic directions. The Strategy Committee may also provide recommendations to the Supervisory Board regarding Management's planning processes. The Committee is consulted on all strategic projects related to the development of Orange Polska Group, the monitoring of the evolution of industrial partnerships within the Orange Polska Group and projects involving strategic agreements for Orange Polska Group. It then reports and makes recommendations on each of these projects to the Supervisory Board.

5G

Even if its standards have not yet been finalised, nor are 5G-enabled devices available, the Committee shares the opinion that 5G will be a crucial technology step, linked with the evolution in the use of data: both its exponential growth and new usages, in B2C as well as in B2B. This topic remained, therefore, high on the Committee's agenda in the past year.

Different approaches to 5G in Asia and US were examined and compared with the European situation, objectives and requirements - especially in view of the 4G deployment still to be completed. Spectrum needs were also analysed and discussed in view of the future 5G launch and deployment requirements.

Orange Polska spectrum assets and strategy

Future 5G needs and spectrum opportunities were only one of the aspects of the Company's spectrum portfolio discussed by the Committee. While it has a 28% market share in SIM cards, Orange Polska has only 19% of the relevant frequencies (800-2600 MHz), which translates into a very intensive use of its radio resources and the need to continuously monitor the situation and its challenges. This area will continue to be of key importance in the work of the Committee in the coming years.

In particular, the Committee is invited to consider projects such as:

- strategic agreements, alliances, and technological and industrial co-operation agreements, including aspects of the strategic partnership between Orange Group and Orange Polska Group
- significant acquisitions and sales of assets

The issues submitted to the Strategy Committee contain, in particular, the information necessary for assessing the risks involved in these operations.

Given the potential impact of these risks on the company's accounts, the Chairman of the Audit Committee is entitled to attend the Strategy Committee meetings as permanent guest, along with the Chairman of the Supervisory Board.

Remuneration Committee activities in 2017

Remuneration Committee members

1. Dr Wiesław Rozłucki – Chairman
2. Marc Ricau
3. Dr Maria Pasło-Wiśniewska
4. Valérie Thérond



The Remuneration Committee is tasked with advising the Supervisory Board and Management Board on general remuneration policy within Orange Polska Capital Group and making recommendations on appointments to the Management Board.

Letter from the Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of the Remuneration Committee I am pleased to present the annual report on the activity of the Remuneration Committee for the year ended 31 December 2017 and the report on the Remuneration Policy of Orange Polska S.A.

The Committee's activities in 2017 took place in the context of the new Orange Love offer and the first challenges set by the Orange.One Programme. Announced to the market as the Orange.One strategy, this programme sets ambitious targets for 2020, namely: to become Poland's number one very high-speed broadband provider, number one in customer satisfaction, and the number one convergent and digital market player. The Orange.One Programme includes the implementation of a cultural change in the Company's management: thinking always about customer, be more agile and faster, be straightforward and open communications and feedback culture. The new strategy influences Orange Polska's long-term remuneration policy, which is one element in the human resources management strategy that supports Orange Polska in achieving business results.

During 2017 year the Remuneration Committee was focused on the reappointment for a new term of office of Management Board Members Mariusz Gaca, Jacek Kowalski, Piotr Muszyński and Maciej Nowohoński. In November 2017 RemCo acknowledged the resignation of Piotr Muszyński from the Management Board. The RemCo reviewed remuneration conditions and Management Board Members' standard contract terms, including financial packages. RemCo recommended a change to the remuneration package of Jolanta Dudek, the Management Board Member in charge of Customer Care and Customer Excellence.

The Committee reviewed the Management Board performance over the financial period and assessed the extent to which their annual bonus targets had been achieved.

The Social Agreement for 2018–2019 was concluded in December 2017 and came into force from 1 January 2018. The Agreement concerns Orange Polska's investments in a friendly work environment, pay rises and additional packages for employees leaving the company; it also sets out the number of voluntary departures for the coming two years. In 2018 -2019 OPL will focus on EBITDA, convergence, FTTH and customer excellence, which will influence the goals and bonuses of all employees.

In 2017 Orange Polska received the following awards: Top Employer Polska 2017 (second place in Poland) and Top Employer Global from the Top Employers Institute; HR Certificate of the Highest Quality 2017 from the Polish Association of Human Resources Management; first place as Employer of Choice for 2017 from by Student Association BEST, operating at the Warsaw University of Technology.

The RemCo devoted special attention to the Orange.One Motivation Programme. This has been designed to help accelerate Orange Polska's transformation, to put more focus than ever on customers, to create a deeply digital organisation, optimise customer journeys, optimise internal processes and encourage employees to work more horizontally and efficiently. The Orange.One Motivation Programme was created and implemented as a special reward for the managerial team, based on so-called "phantom shares". A key function of this Programme is to align the ambitions of Orange Polska's customers, shareholders and company management team.

I am deeply convinced of the importance of corporate social responsibility as a means for building a company's value in the market, winning customers' trust, attracting valuable employees and partners as well as nurturing good relations with the wider society. In the Orange Polska Integrated Report 2017 we show not only financial data, but also the non-financial aspects of our activities on the Polish market.

Dr Wiesław Rozłucki

The Chairman of the Remuneration Committee

On the Remuneration Committee's agenda for 2017

In 2017, the Remuneration Committee held eight meetings and in particular developed recommendations for the Supervisory Board's consideration focused on the following Management Board Members' issues:

1. Employment conditions:

- positively recommended to the Supervisory Board the adoption of a standard Contract of employment and a standard Non-Competition Agreement after the expiry of employment for the Management Board Members, and also the authorisation of the Chairman of the Supervisory Board to conclude the contracts
- accepted the temporary change to Jean-François Fallacher's employment contract
- confirmed the main conditions of the employment contracts and the conditions of non-compete agreements after termination of employment for Mr. Piotr Muszyński, Mr. Jacek Kowalski, Mr. Maciej Nowohoński and Mr. Mariusz Gaca
- positively recommended to the Supervisory Board the appointments of Mariusz Gaca, Jacek Kowalski and Maciej Nowohoński as Management Board Members for the next term of office from April 2017
- positively recommended to the Supervisory Board the change of the conditions of employment of Jolanta Dudek, the Management Board Member in charge of Customer Care and Customer Excellence
- discussed the composition of Management Board of Orange Polska

2. Bonus and remuneration-related matters:

- accepted the changes in the definition of the Stretch Bonus for the CEO for 2017
- positively recommended to the Supervisory Board the extraordinary reward for Jean-François Fallacher
- approved the evaluation of the MBO goals for the Management Board Members for H2 2016, the establishment of goals for the Management Board Members for H1 2017 and the evaluation of their MBO goals for H1 2017, and the establishment of goals for the Management Board Members for H2 2017
- decided that the target "Market Share" would no longer be included in MBO for the CEO

3. Remuneration policy and strategy:

- accepted the Remuneration Committee's Annual Report 2016
- approved the part of the Management Board's Report on the Activity of Orange Polska S.A. in 2016, including remuneration policy in Orange Polska S.A., in accordance with Best Practice for GPW Listed Companies 2016
- was acquainted with the training system for top managers including development offers provided by Orange Group and Orange Polska
- accepted and positively recommended to the Supervisory Board the Orange.One Motivation Program
- positively recommended to the Supervisory Board the Orange SA Group Long Term Incentive Program

Remuneration Committee at a glance

The Remuneration Committee should meet at least four times a year. The task of the Committee is to advise the Supervisory Board and Management Board on the general remuneration policy of Orange Polska Group and to make recommendations on appointments to the Management Board.

The Committee's detailed tasks include:

- determining the conditions of employment and remuneration of the Members of Management Board
- considering proposals made by the President or the Supervisory Board concerning new appointments to the Management Board; taking part in the final stage of the

interviewing process and making appropriate recommendations to the Supervisory Board about candidates

- considering proposals made by the President or the Supervisory Board regarding dismissal or reports regarding resignations of any members of the Management Board and making if necessary a relevant recommendation to the Supervisory Board
- giving recommendations to the Supervisory Board regarding the amounts of bonuses for the members of the Management Board
- providing an opinion on remuneration policy for most senior executives, and on the general policy for the wider Orange Polska Capital Group: in both cases having regard to the relative positioning on the market of Orange Polska Group's terms of engagement and remuneration levels

Remuneration Policy of Orange Polska S.A.

The strategy of Orange Polska S.A. is based on building and maintaining high customer satisfaction, while providing a full range of the best quality telecommunication, multimedia and specialised ICT services fitting both household and business needs, as well as offering extensive connectivity and high customer relationship standards.

The Remuneration Policy contributes to implementing the Company's comprehensive strategy. By enabling the recruitment, retention and motivation of the best managers and professionals in the specialised areas existing in Orange Polska S.A. it provides people prepared to achieve the strategic goals of the Company.

While recognising that employees are a key asset of the Company, the Policy supports the creation of favourable conditions in the digital work environment by stimulating the commitment to the Company's objectives, employee development and use of flexible work methods.

Remunerations within Orange Polska S.A. are compared to those offered by peer companies in the market. The remuneration level depends on the Company's financial results, and on the employee's individual contribution and performance.

Remunerations are determined in a manner ensuring balance and consistency across the Group. Our Remuneration Policy complies with the labour law and corporate governance regulations.

The remuneration system consists of the following components:

- Basic salary
- Performance bonus
- Discretionary bonuses
- Benefits

Employees leaving the Company under the voluntary departure programme are offered severance pay. The terms of severance pay for employees are determined in a separate agreement with trade unions in compliance with the law, whereas the terms of severance pay for the managers excluded from the Group Collective Labour Agreement are settled in individual agreements and codified in their employment contracts.

Terms of remuneration for Orange Polska S.A.'s employees covered by the Group Collective Labour Agreement are determined in co-operation with trade unions.

Basic salary

Basic salary terms take into account the job remuneration standards related to the scope of tasks assigned to a particular job position as well as the market value of the work performed.

Orange Polska S.A. monitors the remuneration market by comparing, at least annually, the Company's salaries and remuneration practices to those adopted by the Polish market leaders, particularly ICT companies.

Orange Polska S.A. ensures the consistency of remuneration between job positions by taking into account the managerial and expert skills involved as well as job comparability between various parts of the organisation.

Orange Polska S.A. develops remuneration terms based on non-discrimination, particularly on the grounds of gender, age, disability, race, religion, nationality, political opinion, trade union membership, ethnic origin and sexual orientation.

Individual basic salaries are determined according to the following processes:

- Annual remuneration reviews, taking into account the evolving work standards of various professional groups and each employee's contribution to the achievement of goals;
- Promotions;
- Recruitment arrangements for candidates assuming their duties in a new professional area;
- Management of the risk of attrition of the most qualified employees leaving for the competition.

Management Board Members and Executive Directors

The Remuneration Committee of the Supervisory Board recommends the terms of employment, including the amount of basic salary, while taking into account the following aspects:

- scope of responsibilities and complexity of the particular job position;
- equality (employees with similar responsibilities, competence, experience and previous performance receive comparable remuneration);
- market competitiveness;
- individual contribution.

Based on the Remuneration Committee's recommendations, the Supervisory Board determines the basic salary of the Management Board Members, while the Management Board determines the basic salary of the Executive Directors.

Performance bonus

The purpose of the bonus system is to motivate employees to achieve high performance by attaining the predefined and agreed goals which support the implementation of the Company's strategy and growth of customer satisfaction. The system of goals stimulates co-operation among employees and business units by setting some solidarity goals in addition to individual ones.

Orange Polska S.A.'s bonus system is aligned with the specifics of the tasks performed by particular functions, which results in different levels of bonuses:

- Senior managers have a high share of bonuses in their total remuneration;
- Employees with sales goals have higher bonus or commission levels in the total remuneration than those without such goals.

For key managers, bonus is more related to the Company's performance, and depends more on the achievement of solidarity goals shared by all, whereas for experts/line managers, bonus is related to their individual performance and depends less on the solidarity components shared by the particular function or the entire Company.

The goals and bonuses are set for periods closely linked to the budgeting cycle.

All senior managers and line managers in the support functions receive bonuses on a semi-annual basis. Employees in the support functions, sales line managers and sales employees receive bonuses/commissions on a quarterly or monthly basis.

The detailed bonus terms are defined in the relevant Bonus Regulations.

Management Board Members and Executive Directors

Bonuses of the Management Board Members and Executive Directors depend on the attainment of goals based on the Company's long-term strategy and on financial performance. Solidarity goals delegated to managers are related to EBITDA and revenue ratios for the whole Company or particular segments of its activity as well as customer satisfaction from Orange services. Individual goals are related to functional performance and management quality.

The performance and bonuses of individual Management Board Members and Executive Directors are monitored directly by the Remuneration Committee of the Supervisory Board.

A new element that was introduced in 2017 is a long-term incentive program dedicated to key managers, including

the Management Board Members and Executive Directors. Success in the programme is measured as an increase in the Company's value and customer satisfaction. Participation in the programme is voluntary and requires managers to contribute their own resources. The programme will be settled in the first half of 2021.

Discretionary bonuses

The Company's long-term strategy is based on innovation and commitment to outstanding performance.

Discretionary bonuses encourage employees to get involved in the development of innovative solutions, the implementation of strategic projects and cross-functional co-operation. Owing to this scheme, employees can be rewarded for achievements which exceed the expectations defined in their periodic goals.

Discretionary bonuses are awarded twice a year by the CEO or other Board Members or Executive Directors for outstanding achievements.

Benefits

In order to improve the quality of life and promote employee integration, Orange Polska S.A. provides a broad package of market-competitive benefits to its employees, building a valuable offer which supports employee recruitment and retention.

A unique benefit for employees is their eligibility for the Employee Pension Fund, which is financed by Orange Polska S.A.

The programme is an employee pension scheme (Orange Polska S.A. Employee Pension Fund).

The key areas influenced by Orange Polska S.A. through benefit schemes are as follows:

- health and physical activity;
- financial stability;
- improved quality of life;
- employee development.

Orange Polska S.A. wants all its employees to be the ambassadors of the Orange brand; therefore it provides them with access to its own products and services.

The Remuneration Policy shall not constitute the basis for any claims by the Company's employees or members of the Company's governing bodies. The detailed terms of remuneration are regulated by individual employment contracts and the Company's by-laws.

Management Board and Supervisory Board Compensation

Persons that were Members of the Management Board of the Company as at 31 December 2017

| (in PLN thousands) | 12 months ended 31 December 2017 | | | |
|-------------------------|------------------------------------|--|------------------------------------|---|
| | Fixed compensation expense in 2017 | Variable compensation expense in 2017 ¹ | Total compensation expense in 2017 | Additionally: Variable compensation expense in 2016, paid in 2017 |
| Jean-François Fallacher | 2 831 | 973 | 3 804 | 391 |
| Mariusz Gaca | 1 697 | 847 | 2 544 | 339 |
| Jolanta Dudek | 908 | 431 | 1 339 | 194 |
| Jacek Kowalski | 1 196 | 580 | 1 776 | 271 |
| Bożena Leśniewska | 1 223 | 597 | 1 820 | 239 |
| Maciej Nowohoński | 1 231 | 552 | 1 783 | 271 |
| Total | 9 086 | 3 980 | 13 066 | 1 705 |

¹ Includes bonuses accrued in 2017 to be paid in 2018, excludes bonuses accrued in 2016 and paid in 2017.

Persons that were Members of the Management Board of the Company in 2017 and in previous years

| (in PLN thousands) | 12 months ended 31 December 2017 | | | |
|------------------------------|------------------------------------|--|------------------------------------|---|
| | Fixed compensation expense in 2017 | Variable compensation expense in 2017 ¹ | Total compensation expense in 2017 | Additionally: Variable compensation expense in 2016, paid in 2017 |
| Piotr Muszyński ² | 5 821 | 818 | 6 639 | 359 |
| Total | 5 821 | 818 | 6 639 | 359 |

¹ Includes bonuses accrued and paid in 2017, excludes bonuses accrued in 2016 and paid in 2017.

² Compensation until the termination date (including post-employment benefits).

Persons that were Members of the Management Board of the Company as at 31 December 2016

| (in PLN thousands) | 12 months ended 31 December 2017 | | | |
|---|------------------------------------|--|------------------------------------|---|
| | Fixed compensation expense in 2016 | Variable compensation expense in 2016 ¹ | Total compensation expense in 2016 | Additionally: Variable compensation expense in 2015, paid in 2016 |
| Jean-François Fallacher ² | 1 521 | 468 | 1 989 | - |
| Mariusz Gaca | 1 550 | 636 | 2 186 | 329 |
| Piotr Muszyński | 1 778 | 665 | 2 443 | 351 |
| Jolanta Dudek ³ | 899 | 373 | 1 272 | 98 |
| - from Orange Polska S.A. | 572 | 234 | 806 | 49 |
| - from Orange Customer Service Sp. z o.o. | 327 | 139 | 466 | 49 |
| Jacek Kowalski | 1 234 | 495 | 1 729 | 267 |
| Bożena Leśniewska | 1 031 | 418 | 1 449 | 101 |
| Maciej Nowohoński | 1 230 | 466 | 1 696 | 235 |
| Total | 9 243 | 3 521 | 12 764 | 1 381 |

¹ Includes bonuses accrued in 2016 to be paid in 2017, excludes bonuses accrued in 2015 and paid in 2016.

² From the date of appointment as the President of the Management Board of Orange Polska S.A..

³ Mrs. Jolanta Dudek is a Member of the Management Board of Orange Polska S.A. and she was also a Member of the Management Board of Orange Customer Service Sp. z o.o. until the merger of Orange Customer Service Sp. z o.o. with Orange Polska S.A.

Persons that were Members of the Management Board of the Company in 2016 and in previous years

| (in PLN thousands) | 12 months ended 31 December 2017 | | | |
|--|------------------------------------|--|------------------------------------|---|
| | Fixed compensation expense in 2016 | Variable compensation expense in 2016 ¹ | Total compensation expense in 2016 | Additionally: Variable compensation expense in 2015, paid in 2016 |
| Bruno Duthoit ² | 2 930 | 193 | 3 123 | 276 |
| Michał Paschalis-Jakubowicz ² | 2 036 | 179 | 2 215 | 101 |
| Total | 4 966 | 372 | 5 338 | 377 |

¹ Includes bonuses accrued in 2016, excludes bonuses accrued in 2015 and paid in 2016² Compensation until the termination date (including post-employment benefits)**The Supervisory Board compensation was as follows**

| (in PLN thousands) | 12 months ended 31 December 2017 | 12 months ended 31 December 2016 |
|--|----------------------------------|----------------------------------|
| Maciej Witucki | 431 | 420 |
| Gervais Pellissier ⁽¹⁾ | - | - |
| Marc Ricau ⁽¹⁾ | - | - |
| Dr Henryka Bochniarz | 214 | 218 |
| Federico Colom Artola ⁽¹⁾ | - | - |
| Jean-Marie Culpin ⁽¹⁾ | - | - |
| Eric Debroeck ⁽¹⁾ | - | - |
| Ramon Fernandez ⁽¹⁾ | - | - |
| John Russell Houlden | 394 | 394 |
| prof. Michał Kleiber | 215 | 139 |
| Patrice Lambert-de Diesbach ⁽¹⁾ | - | - |
| Dr Maria Paśło-Wiśniewska | 212 | 210 |
| Dr Wiesław Rozłucki | 322 | 321 |
| Valérie Thérond ⁽¹⁾ | - | - |
| Dr Mirosław Gronicki ⁽²⁾ | - | 77 |
| Prof. Andrzej K. Koźmiński ⁽²⁾ | - | 154 |
| Marie-Christine Lambert ^{(1) (2)} | - | - |
| Gérard Ries ^{(1) (2)} | - | - |
| Total | 1 788 | 1 933 |

⁽¹⁾ Persons appointed to the Supervisory Board of the Company employed by Orange S.A. do not receive remuneration for the function performed.⁽²⁾ Persons that were not Members of the Supervisory Board of the Company as at 31 December 2017 but were Members of the Supervisory Board of Orange Polska S.A. in 2016.

The Management Board Members and Executive Directors are entitled to a variable remuneration component equal to 50% of their annual basic salary in case of 100% goal achievement. In some cases, if performance is higher than 100%, the variable remuneration component may exceed 50% of the annual basic salary. The variable remuneration component is based on the achievement of Revenues, adjusted EBITDA and specific telco indicators. As regards termination of employment, the termination notice period for Management Board Members is 6 months and they receive basic salary during that period.

In addition, they are entitled to one-off severance pay equal to six months' basic salary. All Management Board Members shall restrain from any competitive activity for 12 months after the termination of employment, and they are entitled to compensation for this ban equal to six months' basic salary.

In addition, the President of the Management Board is entitled to a Stretch Bonus based on the adjusted EBITDA as a financial trigger.

Furthermore, those Management Board Members and Executive Directors who are expatriates are eligible for benefits connected with staying in Poland as foreigners, which are included in the Orange Group International Mobility Policy package and payable on a one-off basis or throughout the year. These include housing allowance, plane tickets, French social insurance premiums, etc.

Orange Polska S.A. Incentive Programme in the form of phantom shares settled in cash

On September 4, 2017, the Supervisory Board of Orange Polska S.A. adopted the Orange.one Incentive Programme for the key executives of Orange Polska S.A., including the Management Board Members, based on derivatives (phantom shares), where the underlying instrument is the price of shares of Orange Polska S.A. on the regulated market maintained by the Warsaw Stock Exchange.

According to the Programme Regulations, Members of the Management Board are eligible to voluntarily purchase up to a total of 370,000 phantom shares of PLN 1 each from the initial pool, and they will acquire additional blocks of phantom shares after meeting the conditions for the average price of the shares of Orange Polska S.A. and the NPS ranking. A total maximum number of phantom shares in additional pools will be 126,000 and 54,000, respectively.

Phantom shares will be bought back at the average price of the shares of Orange Polska S.A. in the first quarter of 2021, provided that it is not less than the average price of the shares of Orange Polska S.A. in the third quarter of 2017, which amounted to PLN 5.46. If the conditions for additional blocks of phantom shares are not met, the phantom shares will not be bought back and the participant will lose the invested funds.

The table below presents the number and payment cost based on the phantom shares granted by Orange Polska S.A. to the Management Board Members (included in the Orange Polska's costs).

| | Options for additional phantom shares | | | The cost of share-based payments for 12 months till December 31, 2017 (in PLN thousands) ¹ |
|-------------------------|--|---------------------------------------|---------------------------|---|
| | Phantom shares - initial pool (number) | Condition of the share price (number) | Condition of NPS (number) | |
| Jean-François Fallacher | 70 000 | 21 000 | 9 000 | 14 |
| Mariusz Gaca | 50 000 | 21 000 | 9 000 | 11 |
| Jolanta Dudek | 50 000 | 21 000 | 9 000 | 11 |
| Jacek Kowalski | 50 000 | 21 000 | 9 000 | 11 |
| Bożena Leśniewska | 50 000 | 21 000 | 9 000 | 11 |
| Maciej Nowochoński | 50 000 | 21 000 | 9 000 | 11 |
| Total | 320 000 | 126 000 | 54 000 | 69 |

¹ For cost calculation assumptions please see Note 15.2 to the Orange Polska Group IFRS Consolidated Financial Statements for 2017.

Persons that were Members of the Management Board of the Company in 2017 and in previous years

| | Options for additional phantom shares | | | The cost of share-based payments for 12 months till December 31, 2017 (in PLN thousands) |
|-----------------|--|---------------------------------------|---------------------------|--|
| | Phantom shares - initial pool (number) | Condition of the share price (number) | Condition of NPS (number) | |
| Piotr Muszyński | 50 000 | - | - | 66 |
| Total | 50 000 | - | - | 66 |

Long Term Incentive Plan (LTIP) of the Orange Group

The table below presents the number of shares granted by Orange S.A. to the Management Board Members under LTIP.

| | Phantoms (number) | The cost of share-based payments for 12 months till December 31, 2017 (in PLN thousands) |
|-------------------------|-------------------|--|
| Jean-François Fallacher | 2 000 | 7 |
| Mariusz Gaca | 2 000 | 7 |
| Jolanta Dudek | 2 000 | 7 |
| Jacek Kowalski | 2 000 | 7 |
| Bożena Leśniewska | 2 000 | 7 |
| Maciej Nowohoński | 2 000 | 7 |
| Total | 12 000 | 42 |

The Long Term Incentive Plan is a 3-year plan from 2017 to 2019.

Currently, LTIP includes key managers who occupy key positions in the Orange Group and is conjuncted with the Essentials 2020 strategic plan.

Selected Executives and Leaders are awarded a defined number of free shares of Orange S.A. under the following conditions: continuous service in the Orange Group throughout the plan until 31 December 2019 and performance conditions.

The aim of the Programme is to recognise the engagement of the Group's key Executives and Leaders, to share the value created by the Essentials 2020 strategic plan, to achieve a balance between short-term and long-term remuneration and to rely on well-known, monitored performance indicators.

Non-financial Remuneration Components for Management Board Members and Key Managers

The Management Board Members and Executive Directors are entitled to the following non-financial remuneration components: health care package, life insurance in Orange Polska, company car, legal indemnity in the event of personal liability, and access to Orange services in line with the relevant Company's policies. In addition, the Management Board Members and Executive Directors, having worked at Orange Polska for more than six months, are eligible for the Employee Pension Programme (PPE).

The key managers other than Executive Directors are entitled to health care package, company car and an access to Orange services in line with the relevant Company's policies. In addition, all key managers, having worked at Orange Polska for more than six months, are eligible for the Employee Pension Programme (PPE).

After enrolment in the Employee Pension Programme (PPE), the PPE contribution for all participants is paid by Orange Polska S.A.

In addition, French key managers are eligible for benefits connected with staying in Poland as foreigners, which are included in the Orange Group International Mobility Policy package and payable on a one-off basis or throughout the year. These include housing allowance, plane tickets, French social insurance premiums, etc.

Assessment of Remuneration Policy in 2017

Remuneration policy is one element in the human resources management strategy which supports Orange Polska in achieving business results. Just as in previous years, our remuneration systems allow us to reward particularly for: EBITDA, NPS, transformation projects, sales targets for convergent offers and fibre services. The applied solutions have enabled us to involve employees of all functions in the process of selling fibre services; this way all employees recognized their common goals, both in and outside of sales structures.

The Company offers a competitive level of remuneration in relation to the market, therefore the level of staff turnover at the initiative of employees remains relatively low. At the same time, we note a growing pressure to increase remuneration related to an increase in demand for labour on the market, especially in new technology professions and client-facing roles. Systematic salary reviews are based on setting remuneration levels in the Company against the market and allow us to respond flexibly according to market changes.

An important new element in our motivation processes is strengthening the involvement of key managers in achieving long-term goals, where we find the best indicator to be the increase in the value of the Company. The programme for key managers launched at the end of 2017 is very popular. Participation in the program is voluntary and requires a significant contribution of personal funds, and rewards resulting from participation are not guaranteed (managers risk the possible loss of private funds) and deferred in time (settlement of the programme in the first half of 2021). Nevertheless, 113 managers, out of the 125 invited, decided to join the programme. In our opinion, this proves both that managers trust in the success of the Orange.one strategy, and they are engaged in building the Company's value.



Management Board's activities in 2017

Management Board composition as of 1 January 2018

| | |
|----------------------------|-----------------------------|
| 1. Jean-François Fallacher | President of the Board |
| 2. Mariusz Gaca | Vice President of the Board |
| 3. Bożena Leśniewska | Vice President of the Board |
| 4. Jolanta Dudek | Board Member |
| 5. Jacek Kowalski | Board Member |
| 6. Maciej Nowohoński | Board Member |

Executive structure



Profiles of Management Board Members



Jean-François Fallacher born 1967

Responsibilities: CEO and President of the Management Board

Appointment to the board: May 2016

Qualifications: He obtained engineering degrees from École Polytechnique, École Nationale Supérieure des Télécommunications in Paris, and completed the International Business Development program at ESSEC Business School.

Career experience: Jean-François has extensive professional experience in the telecom market, in both business and residential sectors, gained in various European markets.

Between 2011 and 2016 he was the CEO of Orange Romania, that country's leading mobile telco company. Prior to Orange Romania, Jean-François served in key leadership roles within the Orange Group for 20 years, most recently as the CEO of Sofrecom, the Group's international consulting company, and in the Netherlands as COO of the internet provider Wanadoo and as Marketing Manager B2B for EuroNet Internet.



Mariusz Gaca born 1973

Responsibilities: Vice-President of the Management Board in charge of Consumer Market (B2C)

Qualifications: He is a graduate of the Academy of Agriculture and Technology in Bydgoszcz and Warsaw University. He also holds an MBA from the University of Illinois at Urbana Champaign and is a graduate of the Advanced Management Program (AMP) at INSEAD.

Appointment to the board: February 2014

Career experience: He began his professional career in the Elektrim Group, where he co-created business plans for local telecommunication operators between 1995 and 2000. From 2001 he worked at TP Group (Telekomunikacja Polska) as Director of Multimedia and was responsible for the development of internet access for the mass market. Between 2005 and 2009 he was responsible for the TP Group business market. From 2009 he was TP Group Executive Director in charge of Sales and Customer Service and President of the Management Board of PTK Centertel (TP Group's mobile telecommunication operator) - a position which he held until the merger of PTK Centertel with Telekomunikacja Polska in 2013. In 2014-2016 he was Orange Polska Vice President responsible for B2B Market.

Since January 2017 he has been Vice-President of the Orange Polska Management Board in charge of Consumer Market. He has also served as Chairman of the Orange Polska Ethics Committee since 2016, Vice President of Employers of Poland and Chairman of the Polish Section of Business and Industry Advisory Committee to the OECD (BIAC) since 2011.



Bożena Leśniewska born 1965

Responsibilities: Vice-President of the Management Board in charge of Business Market

Qualifications: She holds a degree in Philology from the Jagiellonian University, and is also a graduate of the Advanced Management Programme at INSEAD, the Academy of Leadership Psychology at Warsaw University of Technology Business School and the Open Academy of Mentoring.

Appointment to the board: October 2015

Career experience: Bożena has over 20 years' experience in the telecommunications sector, both in B2C and B2B sectors. She has held management positions in Polkomtel S.A., PTK Centertel Sp. z o.o. and Telekomunikacja Polska S.A. She joined the Orange Polska team in 2006 as Deputy Director of Sales for Business Market. One year later she became Business Market Sales Director. Since 2008 she has worked as Director in charge of Business Market and later as Sales Director in both PTK Centertel Sp. z o.o. and Telekomunikacja Polska S.A.. In 2013, she became Executive Director in charge of Sales for Orange Polska and two years later she was appointed a Member of the Management Board in charge of Sales and Commercial Digitisation.

Since January 2017, Bożena Leśniewska has held the position of Vice President in charge of Business Market.

She is the member of the European Network for Women in Leadership and the Board of Experts THINKTANK. She also participates in the activities of the Programme Council of PNSA.

In 2016, she was recognized by the Institute of Innovative Economy as one of the top ten most influential women in the Polish technology sector.



Jolanta Dudek born 1964

Responsibilities: Management Board Member in charge of Customer Care and Customer Excellence

Qualifications: She is a graduate of the Faculty of Philology at the University of Silesia and postgraduate studies in European Economy Management with a diploma from the Ecole des Hautes Etudes Commerciales (HEC) and the Warsaw School of Economics. She is also a graduate of postgraduate studies at the Academy of Leadership Psychology, Warsaw University of Technology Business School. She is also an experienced Lead Auditor of Quality Management System ISO 2002 (BSI) and Global Contact Center Excellence (COPC®) Coordinator. In 2015 she graduated from the School of Mentors at the Warsaw University of Technology Business School.

Appointment to the board: October 2015

Career experience: She began her career in telecommunications at PTK Centertel in 2000, holding management positions related to Individual Customers Care and taking part in the development of customer service for the "Idea" mobile network. Between 2004 and 2010 she served as Director of Business Clients Service at Orange. In October 2010 she was appointed Director of Mobile Business Client Service in Orange Customer Service and PTK Centertel. She was responsible for the strategy, transformation and operational launch of complex customer care for B2B clients of TP Group. In this role she dealt with processes and operational models in a wide range of mobile, fixed and internet telephony.

From November 2013, until the 2016 incorporation of Customer Service into the main OPL structure, Jolanta served as CEO of Orange Customer Service.



Jacek Kowalski born 1964

Responsibilities: Management Board Member in charge of Human Resources

Qualifications: He is a graduate of the Faculty of History at the University of Warsaw and undertook postgraduate studies in Local Government and Non-Governmental Organisations Management, also at the University of Warsaw.

Appointment to the board: January 2011

Career experience: He started his career in Orange Polska Group (previously TP Group) in 2001 as Manager of Human Resources in Sales & Marketing at PTK Centertel. Between 2005 and 2009 he was the Director of Employee Competence and Development Management Branch. From 2009 to 2011, before joining the management board, Jacek was Executive Director in charge of Human Resources at Orange Polska.

Prior to that he worked as a Board Member of the Entrepreneurship and Human Resources School in Infor Training (InforMedia Group) and Director of the National In-Service Teachers Training Centre, responsible for the implementation of training programmes supporting the development of education in Poland.

Currently he is Chairman of the Orange Polska Employees' Pension Fund. He is also a member of the Programme Board of Polish Human Resources Management Association and a member of Human Explorers - an informal group for those passionate about HR.

Profiles of Executive Directors



Maciej Nowohoński born 1973

Responsibilities: Management Board Member in charge of Finance

Qualifications: He is a graduate of Foreign Trade at the Economic University of Poznan and from the Dutch HAN University of Applied Sciences in Nijmegen.

Appointment to the board: March 2014

Career experience: Since March 2014 he has served as Member of the Management Board in charge of Finance at Orange Polska. Maciej Nowohoński is a Supervisory Board Member of Stowarzyszenie Emitentów Giełdowych (Association of Listed Companies). He also sits on the supervisory boards of selected subsidiaries of Orange Polska.

He has been with Orange Polska since 2003 and held several positions in finance, including Orange Polska Group Controller in 2006-2014.

In 2010-2011 he was the Management Board Member at Emitel and in 2011-2013 the Management Board Member in charge of Finance at PTK Centertel. Prior to joining the Orange team, he worked for Arthur Andersen & Andersen Business Consulting.



Bruno Chomel born 1968

Responsibilities: Since September 2016 he has worked as Executive Director in charge of information technology. He is responsible for strategic plans, policies, programmes and schedules for OPL businesses to accomplish their corporate goals and objectives. He also ensures day-to-day improvement and quality of related applications.

Qualifications: Bruno graduated from ENSEEIHT (France's computer science "Grande Ecole").

Career experience: Bruno has over 20 years of professional experience in Information Systems & Digital transformation, spanning Telecoms, E-commerce & Media.

His professional track-record includes high-level managerial positions in telecoms (CTO / Board Member at AOL France, and Director for digital transformation at Vimpelcom) and e-commerce (CIO/ Board Member at La Redoute, and Deputy CIO co-leading a massive mainframe decommissioning program at 3SI - OTTO group).

He started his carrier in R&D at France-Telecom in 1994 then joined Wanadoo France as Billing manager at its inception in 1996. He was later appointed as CIO for Wanadoo Netherlands, then Solutions Director for Orange (Mobile). He then moved to the UK as Wanadoo CIO.



Witold Drożdż born 1974

Responsibilities: Since 2012 he has worked as Executive Director in charge of Corporate Affairs at Orange Polska

Qualifications: He is a graduate of Law and International Relations at the University of Warsaw and has completed the Stanford Executive Program at Stanford University.

Career experience: From 2010 to 2012 he was Vice-President of the Management Board and then acting President of the Management Board for PGE Energia Jądrowa S.A.

Between 2007 and 2010 he served as Deputy Minister of the Interior and Administration, responsible for the development of information society, ICT and public records, as well as Chairman of the government committee "Digital Poland", and a member of the government committee in charge of Energy Safety and the inter-ministerial committee of Digital TV and Radio Broadcasting.

He was awarded Info-Star (2009), INFOSTAT (2009) and Electronic Economy Ambassador (2008) awards. He is a member of the Board of Orange Foundation.



Magdalena Hauptman born 1968

Responsibilities: Since November 2013, she has worked as Executive Director in charge of Effectiveness

Qualifications: She graduated from the Warsaw School of Economics, Management and Marketing Department; she also holds qualifications from the Musicology Department, Warsaw University, and postgraduate studies in Positive Psychology at SWPS (University of Social Sciences and Humanities).

She holds the International Coaching Community certificate (2010) and International Coaching Federation certificate (2013).

Career experience: A member of the Orange Polska team since 1994, she began her employment at PTK Centertel where she was responsible for ERP implementation. From 1998 to 2001, she was the Budget Controller for Network and IT areas. In 2001 she joined Telekomunikacja Polska S.A. where, as the Sourcing Director, she was responsible for the creation and development of a Sourcing Organisation working within the France Telecom Group. As Property Director in 2010-2013, she coordinated the concept development and construction of the Miasteczko Orange (Orange Town) facility. At the same time, she supervised the sale of properties from Orange Polska's portfolio.

Since 2013, as Executive Director in charge of Effectiveness, she has been responsible for Sourcing and TTM process. She also acts as Orange.one Programme Director – the project that implements the Company's strategy for 2020. In addition to her basic scope of responsibilities within Orange Polska, she conducts coaching processes for the Company's managers.



Piotr Jaworski born 1961

Responsibilities: Since September 2016 he has held the position of Chief Technology Officer at Orange Polska. He is a member of the Orange Network Experts Committee as well as the Orange Ethics Committee, and he is Chairman of the TP Teltech Supervisory Board.

Qualifications: He graduated in electronic engineering from the Warsaw University of Technology and holds MBA qualifications from the University of Gdańsk and the University of Strathclyde in Glasgow.

Career experience: Piotr has worked at Orange Polska (former Telekomunikacja Polska) since 1991, initially as the Technical Manager in the Białystok Technical Unit, then, in TP Headquarters, as Director of the Business Customer Relations Department and Regional Executive Director (for South and Central Regions). Between 2007 and 2013, he was the Technical Customer Service Director. Then, until 2016, he worked as the Service Delivery and Maintenance Director, responsible for technical processes of service provision and maintenance (for both Orange customers and alternative operators), network investments (including VHBB FTTH roll-out) and active network maintenance. Piotr has been the leader of several projects in customer experience development. He has been involved in charity work for years.



Jarosław Starczewski born 1972

Responsibilities: Since 2013 he has worked as Executive Director in charge of Carriers Market of Orange Polska.

Qualifications: He graduated from the Telecommunication Institute of Warsaw Technical University. He also holds an MBA from the University of Illinois at Urbana-Champaign.

Career experience: He has over 14 years of experience in working as a manager for telecom carriers in international environments. Throughout his career he has held a number of executive as well as supervisory positions and roles, including with the Capital Group Polish Energy Networks, where he was Chairman of the Board of Exatel SA and of NOM Sp. z o.o. Since 2007 he has been employed in Orange Group as the manager responsible for wholesale sales and wholesale products portfolio.

Management Board at a glance

The President of the Management Board acts as chairman and manages the activities of the Management Board. Board Members report to the President on the execution of their duties, while he monitors and evaluates the results of their work.

Members of the Management Board manage the company's affairs directly, according to the division of duties defined in Organisational Regulations of Orange Polska. Meetings of

the Management Board are held on average twice a month on dates specified in working schedules. Participation of the Management Board Members in meetings is obligatory and each Management Board Member may place matters on the agenda of the meeting. Participation of other persons in meetings is at the discretion of the President of the Management Board, who presides at meetings. Resolutions of the Board are adopted by absolute majority of votes of all appointed Board members. A resolution can also be adopted outside the meeting by circulation, but only if all the members sign it.

Management Board members' term of office

The term of office of each member of the Management Board is three years. The President and other members of the Management Board are appointed and removed by the Supervisory Board. The resolutions of the Supervisory Board regarding the appointment or re-appointment of the President or other members of the Management Board are adopted by a simple majority of the votes cast. The mandates of Management Board members expire at the latest on the date of the General Meeting which approves the financial statements for the second full financial year of his/her service as a member of the Management Board.

Members of the Management Board may be at any time removed or suspended for important reasons by the Supervisory Board before the expiration of their term of office.

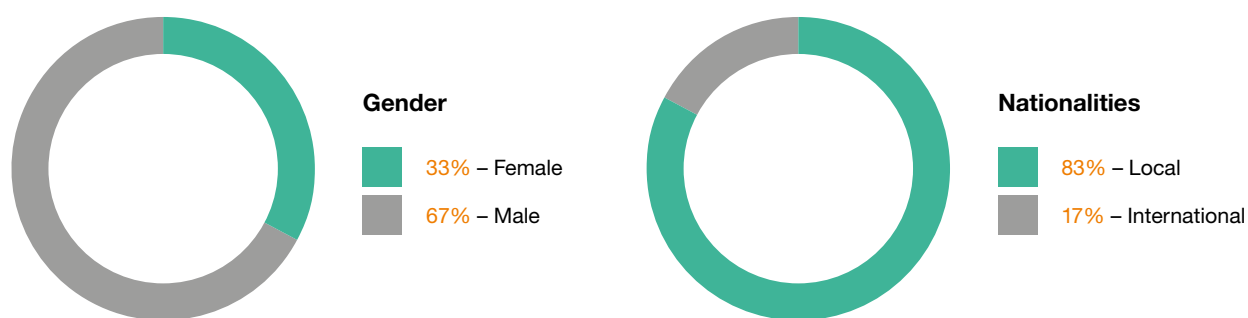
Changes to the membership of the Management Board

On February 7, 2017, the Supervisory Board of Orange Polska, in view of the expiration on April 19, 2017 of the mandates of Messrs. Mariusz Gaca, Jacek Kowalski and Maciej Nowohoński, decided to re-appoint them as Members of the Management Board for the next term of office.

On November 24, 2017, Piotr Muszyński, Vice-President of the Orange Polska Management Board in charge of Strategy and Transformation resigned from his position due to personal reasons with immediate effect. During the transition period, Jean-François Fallacher, President of the Management Board, has taken over management responsibilities in the area of strategy and transformation.



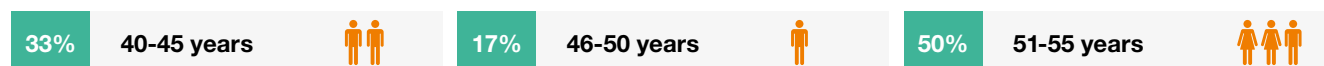
Management Board diversity



Length of tenure

| | | |
|-----------|-----------|---|
| 0-3 years | 3 persons | Jean-François Fallacher, Bożena Leśniewska, Jolanta Dudek |
| 3-6 years | 2 persons | Mariusz Gaca, Maciej Nowohoński |
| 6+ years | 1 person | Jacek Kowalski |

Age profile

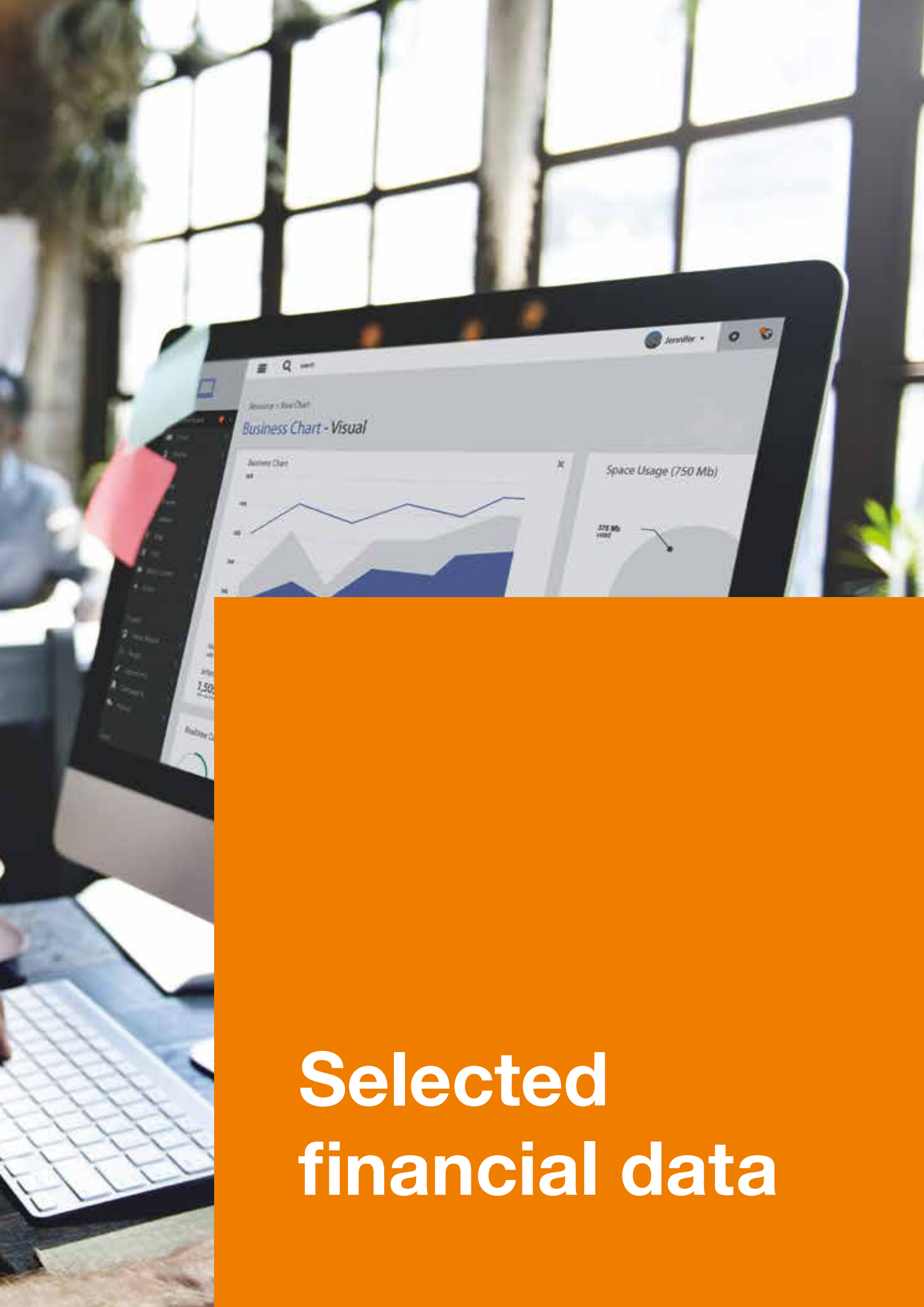


Management Board skills matrix

| | Economics and Finance | Management and Strategy | Law and administration | Engineering and Technology | Psychology and Humanities | Sales and Marketing |
|-------------------------|-----------------------|-------------------------|------------------------|----------------------------|---------------------------|---------------------|
| Jean-François Fallacher | ✓ | ✓ | | ✓ | | ✓ |
| Mariusz Gaca | | ✓ | | ✓ | | ✓ |
| Bożena Leśniewska | | ✓ | | | ✓ | ✓ |
| Jolanta Dudek | | ✓ | | | ✓ | ✓ |
| Jacek Kowalski | | ✓ | | | ✓ | |
| Maciej Nowohoński | ✓ | ✓ | | | | |







**Selected
financial data**

Orange Polska Group selected financial information for the year ended 31 December 2017

As published on 20 February 2018



The full report on Consolidated full year 2017 results is available on our website
<http://orange-ir.pl/results-center/results/2017>

Consolidated income statement

| (in PLN millions, except for loss per share) | 12 months ended | | |
|---|-----------------|------------------|------------------|
| | Note | 31 December 2017 | 31 December 2016 |
| Revenue | 5 | 11,381 | 11,538 |
| External purchases | 6.1 | (6,416) | (6,432) |
| Labour expense | 6.2 | (1,690) | (1,636) |
| Other operating expense | 6.3 | (559) | (587) |
| Other operating income | 6.3 | 218 | 210 |
| Gains on disposal of assets | 7 | 81 | 70 |
| Employment termination expense | 13 | (208) | - |
| Depreciation and amortisation | 10,11 | (2,572) | (2,725) |
| Impairment of non-current assets | 8 | (6) | (1,792) |
| Operating income/(loss) | | 229 | (1,354) |
| Interest income | 16 | 32 | 22 |
| Interest expense and other financial charges | 16 | (279) | (282) |
| Discounting expense | 16 | (57) | (99) |
| Finance costs, net | | (304) | (359) |
| Income tax | 24.1 | 15 | (33) |
| Consolidated net loss | | (60) | (1,746) |
| Net loss attributable to owners of Orange Polska S.A. | | (60) | (1,746) |
| Net loss attributable to non-controlling interests | | - | - |
| Loss per share (in PLN) (basic and diluted) | 31.5 | (0.05) | (1.33) |
| Weighted average number of shares (in millions) (basic and diluted) | 31.5 | 1,312 | 1,312 |

Consolidated statement of comprehensive income

| <i>(in PLN millions)</i> | <i>12 months ended</i> | | |
|---|------------------------|-------------------------|-------------------------|
| | <i>Note</i> | <i>31 December 2017</i> | <i>31 December 2016</i> |
| Consolidated net loss | | (60) | (1,746) |
| Items that will not be reclassified to profit or loss | | | |
| Actuarial losses on post-employment benefits | 15 | (3) | (1) |
| Income tax relating to items not to be reclassified | | 1 | - |
| Items that may be reclassified subsequently to profit or loss | | | |
| Gains/(losses) on cash flow hedges | 21 | (11) | 92 |
| Income tax relating to items that may be reclassified | | 2 | (17) |
| Other comprehensive income/(loss), net of tax | | (11) | 74 |
| Total comprehensive loss | | (71) | (1,672) |
| Total comprehensive loss attributable to owners of Orange Polska S.A. | | (71) | (1,672) |
| Total comprehensive loss attributable to non-controlling interests | | - | - |

Consolidated statement of financial position

| <i>(in PLN millions)</i> | <i>Note</i> | <i>At 31 December 2017</i> | <i>At 31 December 2016 (see Note 31.5)</i> |
|---------------------------------|-------------|--------------------------------|--|
| ASSETS | | | |
| Goodwill | 9 | 2,147 | 2,147 |
| Other intangible assets | 10 | 5,256 | 5,722 |
| Property, plant and equipment | 11 | 10,666 | 10,678 |
| Trade receivables | 12 | 532 | 433 |
| Derivatives | 21 | 37 | 206 |
| Other assets | | 72 | 72 |
| Deferred tax assets | 24.2 | 950 | 929 |
| Total non-current assets | | 19,660 | 20,187 |
| Inventories | | 217 | 163 |
| Trade receivables | 12 | 2,266 | 2,033 |
| Derivatives | 21 | - | 36 |
| Income tax assets | | - | 5 |
| Other assets | | 78 | 60 |
| Prepaid expenses | | 66 | 80 |
| Cash and cash equivalents | 20 | 646 | 262 |
| Total current assets | | 3,273 | 2,639 |
| TOTAL ASSETS | | 22,933 | 22,826 |

| <i>(in PLN millions)</i> | <i>Note</i> | <i>At 31 December 2017</i> | <i>At 31 December 2016 (see Note 31.5)</i> |
|---|-------------|--------------------------------|--|
| EQUITY AND LIABILITIES | | | |
| Share capital | 25.1 | 3,937 | 3,937 |
| Share premium | | 832 | 832 |
| Other reserves | | (40) | (29) |
| Retained earnings | | 5,207 | 5,267 |
| Equity attributable to owners of Orange Polska S.A. | | 9,936 | 10,007 |
| Non-controlling interests | | 2 | 2 |
| Total equity | | 9,938 | 10,009 |
| Trade payables | 14.1 | 550 | 682 |
| Loans from related party | 18.1 | 5,485 | 7,087 |
| Other financial liabilities at amortised cost | 18.2 | 68 | 66 |
| Derivatives | 21 | 58 | 76 |
| Employee benefits | 15 | 139 | 144 |
| Provisions | 13 | 553 | 280 |
| Other liabilities | 14.2 | 16 | 15 |
| Deferred income | 14.3 | 83 | 81 |
| Total non-current liabilities | | 6,952 | 8,431 |
| Trade payables | 14.1 | 2,421 | 2,642 |
| Loans from related party | 18.1 | 1,484 | 5 |
| Other financial liabilities at amortised cost | 18.2 | 45 | 36 |
| Derivatives | 21 | 42 | - |
| Employee benefits | 15 | 221 | 188 |
| Provisions | 13 | 854 | 850 |
| Income tax liabilities | | 19 | 24 |
| Other liabilities | 14.2 | 479 | 132 |
| Deferred income | 14.3 | 478 | 509 |
| Total current liabilities | | 6,043 | 4,386 |
| TOTAL EQUITY AND LIABILITIES | | 22,933 | 22,826 |

Consolidated statement of changes in equity

| (in PLN millions) | Share capital | Share premium | Other reserves | | | | Equity attributable to owners of OPL S.A. | Non-control-ling interests | Total equity |
|---|---------------|---------------|------------------------------------|--|--------------|-------------------|---|----------------------------|--------------|
| | | | Gains/(losses) on cash flow hedges | Actuarial losses on post-employment benefits | Deferred tax | Retained earnings | | | |
| Balance at 1 January 2017 | 3,937 | 832 | 9 | (44) | 6 | 5,267 | 10,007 | 2 | 10,009 |
| Total comprehensive loss for the 12 months ended 31 December 2017 | - | - | (11) | (3) | 3 | (60) | (71) | - | (71) |
| Balance at 31 December 2017 | 3,937 | 832 | (2) | (47) | 9 | 5,207 | 9,936 | 2 | 9,938 |
| Balance at 1 January 2016 | 3,937 | 832 | (83) | (43) | 23 | 7,309 | 11,975 | 2 | 11,977 |
| Total comprehensive loss for the 12 months ended 31 December 2016 | - | - | 92 | (1) | (17) | (1,746) | (1,672) | - | (1,672) |
| Dividend (see Note 25.2) | - | - | - | - | - | (328) | (328) | - | (328) |
| Other movements (see Note 25.3) | - | - | - | - | - | 32 | 32 | - | 32 |
| Balance at 31 December 2016 | 3,937 | 832 | 9 | (44) | 6 | 5,267 | 10,007 | 2 | 10,009 |

Consolidated statement of cash flows

| (in PLN millions) | 12 months ended | | |
|--|-----------------|------------------|-------------------------------------|
| | Note | 31 December 2017 | 31 December 2016 (see Note 31.5) |
| OPERATING ACTIVITIES | | | |
| Consolidated net loss | | (60) | (1,746) |
| Adjustments to reconcile net loss to cash from operating activities | | | |
| Gains on disposal of assets | 7 | (81) | (70) |
| Depreciation and amortisation | 10,11 | 2,572 | 2,725 |
| Impairment of non-current assets | 8 | 6 | 1,792 |
| Finance costs, net | | 304 | 359 |
| Income tax | 24.1 | (15) | 33 |
| Change in provisions and allowances | | 111 | (126) |
| Operational foreign exchange and derivatives (gains)/losses, net | | 8 | (10) |
| Change in working capital | | | |
| (Increase)/decrease in inventories, gross | | (53) | 54 |
| Increase in trade receivables, gross | | (334) | (499) |
| Increase/(decrease) in trade payables | | (106) | 362 |
| (Increase)/decrease in prepaid expenses and other receivables | | (5) | 67 |
| Increase/(decrease) in deferred income and other payables | | 62 | (39) |
| Interest received | | 32 | 22 |
| Interest paid and interest rate effect paid on derivatives, net | | (363) | (353) |
| Exchange rate and other effect received/(paid) on derivatives, net | | (6) | 10 |
| Income tax paid | | (8) | (32) |
| Net cash provided by operating activities | | 2,064 | 2,549 |
| INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment and intangible assets | 10,11 | (1,933) | (5,169) |
| Decrease in amounts due to fixed assets suppliers | | (126) | (42) |
| Investment grants received | 14.2 | 297 | - |
| Investment grants paid to fixed assets suppliers | 14.2 | (1) | - |
| Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net | | (7) | 15 |
| Proceeds from sale of property, plant and equipment and intangible assets | | 113 | 119 |
| Cash paid for subsidiaries, net of cash acquired | 4 | (31) | - |
| Decrease in other financial instruments | | 1 | 3 |
| Net cash used in investing activities | | (1,687) | (5,074) |
| FINANCING ACTIVITIES | | | |
| Issuance of long-term debt | 19 | - | 2,702 |
| Repayment of long-term debt | 19 | (31) | (1,225) |
| Increase in revolving credit line and short-term debt | 19 | 39 | 1,355 |
| Exchange rate effect received/(paid) on derivatives hedging debt, net | 19 | (1) | 17 |
| Dividend paid | 19, 25.2 | - | (328) |
| Net cash provided by financing activities | | 7 | 2,521 |
| Net change in cash and cash equivalents | | 384 | (4) |
| Cash and cash equivalents at the beginning of the period | 20 | 262 | 266 |
| Cash and cash equivalents at the end of the period | 20 | 646 | 262 |

Segment information

The Group reports a single operating segment as decisions about resources to be allocated and assessment of performance are made on consolidated basis. Segment performance is evaluated by the Management Board mainly based on consolidated revenue, consolidated EBITDA, consolidated net income/loss, consolidated organic cash flows, consolidated capital expenditures, consolidated net financial debt and consolidated net financial debt to EBITDA ratio based on cumulative EBITDA for the last four quarters. To give a better representation of underlying performance, the above measures are adjusted as specified below.

Revenue from the Group's activities is adjusted for the impact of changes in the scope of consolidation. There was no adjustment for the 12 months ended 31 December 2017 and 2016.

Since the calculation of EBITDA, organic cash flows, capital expenditures and net financial debt is not defined by IFRS, the methodology adopted by the Group is presented below.

EBITDA is the key measure of operating profitability used by the Management Board and corresponds to operating income/loss before depreciation and amortisation expense and impairment of non-current assets. To give a better representation of underlying performance, EBITDA is adjusted for the impact of changes in the scope of consolidation, employment termination programs, restructuring costs, significant claims, litigation and other risks as well as other significant non-recurring items. Adjustments for the 12 months ended 31 December 2017 and 2016 are presented in the table below.

Organic cash flows are the key measure of cash flow generation used by the Management Board and correspond to net cash provided by operating activities decreased by purchases of property, plant and equipment and intangible assets, changes in amounts due to fixed assets suppliers, impact of investments grants received/paid to fixed assets suppliers, impact of net exchange rate effect received/paid on derivatives economically hedging capital expenditures and increased by proceeds from sale of property, plant and equipment and intangible assets. To give a better representation of underlying performance, organic cash flows are adjusted for the payments for acquisition of telecommunications licences and payments relating to significant claims, litigation and other risks as well as for investment grants received/paid to fixed assets suppliers. Adjustments for the 12 months ended 31 December 2017 and 2016 are presented in the table below.

Capital expenditures are the key measure of resources allocation used by the Management Board and represent acquisitions of property, plant and equipment and intangible assets. To give a better representation of underlying performance, capital expenditures are adjusted for the impact of acquisition of telecommunications licences. Adjustments for the 12 months ended 31 December 2017 and 2016 are presented in the table below.

Net financial debt and net financial debt to adjusted EBITDA ratio are the key measures of indebtedness and liquidity used by the Management Board. The calculation of net financial debt is presented in Note 17.

Basic financial data of the operating segment is presented below

| (in PLN millions) | 12 months ended | |
|---|------------------|------------------|
| | 31 December 2017 | 31 December 2016 |
| Revenue ⁽¹⁾ | 11,381 | 11,538 |
| Adjusted EBITDA | 3,011 | 3,163 |
| Net loss as per consolidated income statement | (60) | (1,746) |
| Adjusted organic cash flows | 111 | 620 |
| Adjusted capital expenditures | 1,933 | 2,001 |

⁽¹⁾ There was no adjustment for the 12 months ended 31 December 2017 and 2016.

| <i>(in PLN millions)</i> | <i>At 31 December 2017</i> | <i>At 31 December 2016</i> |
|---|--------------------------------|--------------------------------|
| Net financial debt (in PLN millions, see Note 17) | 6,497 | 6,775 |
| Net financial debt/adjusted EBITDA ratio | 2.2 | 2.1 |

Adjustments made to financial data of the operating segment are presented below

| <i>(in PLN millions)</i> | <i>12 months ended</i> | |
|--|-------------------------|-------------------------|
| | <i>31 December 2017</i> | <i>31 December 2016</i> |
| EBITDA | 2,807 | 3,163 |
| - adjustment for the impact of Social Agreements, consisting of employment optimisation programme expense, net of resulting curtailment of long-term employee benefits (see Notes 13 and 15) | 204 | - |
| Adjusted EBITDA | 3,011 | 3,163 |
| Organic cash flows | 407 | (2,528) |
| - adjustment for investments grants received | (297) | - |
| - adjustment for investment grants paid to fixed assets suppliers | 1 | - |
| - adjustment for payments for acquisition of telecommunications licences (see Note 10) | - | 3,148 |
| Adjusted organic cash flows | 111 | 620 |
| Capital expenditures | 1,933 | 5,169 |
| - adjustment for expenditures on acquisition of telecommunications licences (see Note 10) | - | (3,168) |
| Adjusted capital expenditures | 1,933 | 2,001 |

The background of the slide is a photograph of a light-colored building with a dark roofline. A large, solid purple rectangle is overlaid on the left side of the image, extending from the bottom edge up to about two-thirds of the way down. The word "Appendix" is written in white, bold, sans-serif font within this purple area.

Appendix



GRI Index Table

| GRI Standard Title | Disclosure Number | Disclosure Title | Reference |
|---|-------------------|--|---------------------------|
| Foundation | GRI 101 | | |
| General Disclosures | GRI 102 | | |
| | GRI 102-1 | Name of the organisation | p.10 |
| | GRI 102-2 | Activities, brands, products, and services | pp.11,26–27 |
| | GRI 102-3 | Location of headquarters | p.158 |
| | GRI 102-4 | Location of operations | p.10 |
| | GRI 102-5 | Ownership and legal form | pp.10–11,94 |
| <p>Since November 1998, shares of Orange Polska S.A. (formerly Telekomunikacja Polska S.A.) have been listed on the primary market of the Warsaw Stock Exchange (WSE) within the continuous listing system.</p> <p>The Company's shares are included in the following indices: WIG20 and WIG30 large-cap indices; WIG broad-market index; WIG telecommunication industry index; and RESPECT Index of socially responsible companies.</p> <p>In 2017, Orange Polska S.A. was once again included in a prestigious group of socially responsible listed companies. The new portfolio of the RESPECT Index announced by the Warsaw Stock Exchange comprises 28 companies. Orange Polska S.A. has been present in the index portfolio since its first edition. The RESPECT Index has been increasingly popular among companies and investors, who have noticed a link between consideration for social and environmental impact and financial performance. In addition, Orange Polska S.A. has been included in the FTSE Russell's ESG Ratings, a global index that measures company's performance across environmental, social and governance (ESG) areas.</p> | | | |
| | GRI 102-6 | Markets served | p.10 |
| | GRI 102-7 | Scale of the organisation | p.11 |
| | GRI 102-8 | Information on employees and other workers | Attachment A. Social Data |
| | GRI 102-9 | Supply chain | |
| <p>We want our relations with suppliers and business partners to be based on transparent principles and mutual obligation to abide by ethical standards. We want to build good and long-term relations with our suppliers.</p> <p>Supplier assessment</p> <p>We take active part in the implementation of the Orange Group's global supplier assessment programme, QREDIC. The results of the assessment are used in a process of negotiations and selection of suppliers on the global level, e.g. for subscriber devices or network equipment purchases. A definitely negative assessment with respect to compliance with ethical and environmental standards disqualifies the supplier.</p> <p>On the global level, Orange has also joined the Joint Audit Cooperation (JAC) with other operators. The initiative aims at ensuring compliance with ethical, environmental and health & safety standards as well as ban on child labour across common suppliers.</p> <p>In 2017, a total of 89 audits were conducted within the JAC framework, including 15 commissioned by Orange.</p> <p>Local suppliers are required to comply with the compliance clause, which is included in agreements with our Company.</p> <p>The clause includes an obligation to comply with ethical and responsible conduct rules, particularly concerning human rights, environmental protection, sustainable development and anti-corruption. In addition, the anti-corruption clause is included in all purchase agreements.</p> <p>Building long-standing relations with suppliers</p> <p>In 2017, we co-operated with 4,100 suppliers in Poland, mainly, by value of purchases, subscriber and network equipment suppliers, network contractors, IT equipment suppliers, personnel outsourcing agencies and media houses. We strive to build our relations with suppliers on the basis of long-term contracts providing for transparent terms of co-operation. Over 98.2% of purchases (by value) are effected under long-term agreements. We gradually work on effecting all payments to suppliers in due time. The timely payment rate is 89.2%. The standard term of payment to suppliers is up to 30 days (93.58% agreements).</p> <p>Transparent supplier selection process</p> <p>We follow a competitive and open procurement policy, which provides for direct electronic placement of orders with suppliers.</p> <p>Currently, over 72.6% of orders (by volume) are placed in the electronic form. Suppliers who want to co-operate with Orange can register in a database of potential suppliers and thus participate in the procurement processes initiated by Orange.</p> <p>Transparency of the supplier selection process is ensured by the Procurement Process Code. It is a set of rules, which should be followed by all procurement organisation employees in their direct and indirect contacts with suppliers. The Code includes procurement procedures which transparently regulate supplier selection, contracting and confidentiality.</p> | | | |
| | GRI 102-10 | Significant changes to the organisation's size, structure, ownership or supply chain in the reported period. | No changes |
| | GRI 102-12 | External initiatives, declarations or principles concerning economic, environmental or social issues, which the company has signed or which it applies | |
| <p>Broad Alliance on Digital Skills in Poland, Memorandum of Co-operation for Improving Service Quality in the Telecommunications Market, Cell Phone Safety Good Practises, Alliance for Child Safety On-line (www.orange.pl/kodeksy.phpml), Global Compact (www.ungc.org.pl/o-nas/obszary-dzialan/), Partnership for Environment (www.gridw.pl/partnerstwo). These initiatives are voluntary.</p> | | | |

| GRI Standard Title | Disclosure Number | Disclosure Title | Reference |
|--|-------------------|--|---|
| | GRI 102-13 | Membership of associations | |
| <p>Domestic organisations: Employers of the Republic of Poland, "Lewiatan" Confederation, Polish Chamber of Information Technology and Telecommunications, French-Polish Chamber of Commerce, Responsible Business Forum, Business Centre Club, Foundation for the Development of Radiocommunications and Multimedia Technologies, Association of Stock-Exchange Issuers.</p> <p>Membership of these organisations is of strategic importance for the Company. The Company's representatives sit on their boards and the Company pays membership fees, supporting statutory tasks, and participates in additional projects.</p> <p>Foreign organisations: European Telecommunications Network Operators' Association (ETNO), Forum for International Irregular Network Access (FIINA), Global Compact, Global Settlements Carrier Group (GSCG), International Cable Protection Committee (ICPC), International Inbound Services Forum (IISF), International Telecommunication Union (ITU), RIPE Network Coordination Centre (RIPE NCC), TeleManagement Forum (TM Forum), Forum of Incident Response and Security Teams (FIRST), GSM Association (GSMA), European Internet Exchange Association (Euro-IX). These are industry organisations and the Company's membership involves payment of membership fees and participation in various projects.</p> | | | |
| | GRI 102-14 | Statement from senior decision-maker | pp.6,40-41 |
| | GRI 102-15 | Key impacts, risks, and opportunities | pp.78-83 |
| | GRI 102-16 | Values, principles, standards, and norms of behavior | pp.10,48,108 |
| <p>Each employee of Orange Polska must read and understand our Code of Ethics, and the Ethics in Orange Polska e-learning course is a part of mandatory training for new joiners. Also our suppliers and business partners shall read and understand our Code of Ethics under the compliance clause of our standard contracts. The Code in Polish is available on our website, at www.orange.pl/kodeksy.phtml.</p> <p>Issues related to compliance with ethical standards are analysed by the Ethics Committee. It consists of five members: Chairman, two permanent members (Management Board Member in charge of Human Resources and Internal Audit Director) and two members appointed for three-year terms. In addition, the operations of the Committee are supported by two permanent Secretaries.</p> | | | |
| | GRI 102-17 | Internal and external mechanisms for seeking advice about ethical and lawful behavior, and organisational integrity | p.108 |
| | GRI 102-18 | Governance structure, including committees under the highest governance body | p.90-93,96-97 |
| | GRI 102-22 | Composition of the highest governance body and its committees (number of members and their gender) | pp.88, 92-93,96,103,109,111 |
| | GRI 102-23 | Information whether the chair of the highest governance body is also an executive officer in the organisation (if yes, his or her function within the management and the reasons for this arrangement) | pp.88-90,96-97,120-121 |
| | GRI 102-24 | Criteria used for nominating and selecting members of the highest governance body and its committees | pp.89,91-92,96-97,102,105 |
| | GRI 102-25 | Processes for the highest governance body to ensure conflicts of interest are avoided and managed, and indication whether conflicts of interest are disclosed to stakeholders | pp.93 |
| | GRI 102-26 | Role of the highest governance body in setting the organisation's purpose, values and development strategy | pp.37,90-103,109-110, 120-126 |
| | GRI 102-32 | The highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material topics are covered | |
| The integrated report has been reviewed by the Management and Supervisory Board Members, and validated by the Chairman of the Audit Committee. | | | |
| | GRI 102-35 | Remuneration policies for the highest governance body and senior executives | pp.113-119 |
| | GRI 102-36 | Process for determining remuneration | pp.92,111-114 |
| | GRI 102-40 | List of stakeholder groups engaged by the organisation | pp.12-13 |
| | GRI 102-41 | Employees covered by collective bargaining agreements | pp.71,148 |
| | GRI 102-42 | Identifying and selecting stakeholders | pp.12-13 |
| | GRI 102-43 | Approach to stakeholder engagement, including frequency of engagement by type and stakeholder group | pp.12-13,65,68 |
| | GRI 102-44 | Key topics and concerns raised by stakeholders, and how the organisation has responded, including through its reporting | pp.12-13 |
| | GRI 102-45 | Entities included in the consolidated financial statements and covered by the report | p.7 |
| | GRI 102-46 | Defining report content and topic boundaries | pp.7,152 |
| | GRI 102-47 | List of material topics | pp.16-17,152 |
| | GRI 102-48 | The effect of any restatements of information given in previous reports, and the reasons for such restatements (e.g. mergers or acquisitions, or change of base years or periods, nature of business or measurement methods) | There were no restatements of information in previous reports |

| GRI Standard Title | Disclosure Number | Disclosure Title | Reference |
|--|-------------------|--|---|
| | GRI 102-49 | Changes in reporting | No significant changes |
| | GRI 102-50 | Reporting period | p.7 |
| | GRI 102-51 | Date of the most recent report (published) | p.7 |
| | GRI 102-52 | Reporting cycle | p.7 |
| | GRI 102-53 | Contact point for questions regarding the report | p.158 |
| | GRI 102-54 | Claims of reporting in accordance with the GRI Standards: Core or Comprehensive option | The report was prepared based on the GRI standard: Core option. |
| | GRI 102-55 | GRI content index | pp. 142-147 |
| | GRI 102-56 | Policy and current practice with regard to seeking external assurance for the report | pp. 154-155 |
| Management Approach | 103 | | |
| | GRI 103-1 | Explanation of topics identified as material and their boundaries | pp.16–17, 152 |
| | GRI 103-2 | The management approach and its components | pp.36,40–41,48,52–53, 64–71,106–107 |
| | GRI 103-3 | Evaluation of the management approach | pp.36,40–41,48,52–53, 64–71,100–101, 106–107 |
| ECONOMIC | 200 | | |
| Obecność na rynku | 202 | | |
| | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | Attachment A. Social Data |
| Indirect Economic Impacts | 203 | | |
| | 203-1 | Infrastructure investments and services supported | pp.24–25,45–46, 55–59,62,65–67 |
| | 203-2 | Significant indirect economic impacts | pp.16–20,24–27,29,65–67 |
| Anti-corruption | 205 | | |
| | 205-1 | Operations assessed for risks related to corruption | pp.106–107 |
| | 205-2 | Communication and training about anti-corruption policies and procedures | Attachment A. Social Data |
| | 205-3 | Confirmed incidents of corruption and actions taken | No incidents |
| Anti-competitive Behavior | 206 | | |
| | 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | |
| No legal actions for anti-competitive behaviour or anti-trust or monopoly practices were instituted against Orange Polska in 2017. | | | |

| GRI Standard Title | Disclosure Number | Disclosure Title | Reference |
|---|-------------------|---|----------------------------------|
| ENVIRONMENTAL | 300 | | |
| Materials | 301 | | |
| | 301-1 | Materials used by weight or volume | Attachment B. Environmental Data |
| | 301-3 | Reclaimed products and their packaging materials | pp.64–65 |
| Energy | 302 | | |
| | 302-1 | Energy consumption within the organisation by fuel types used | Attachment B. Environmental Data |
| | 302-2 | Energy consumption outside the organization (intermediate consumption) | Attachment B. Environmental Data |
| | 302-4 | Reduction of energy consumption | pp.18,64–65 |
| | 302-5 | Reductions in energy requirements of products and services | pp.64–65 |
| Water | 303 | | |
| | 303-1 | Water withdrawal by source | Attachment B. Environmental Data |
| Emissions | 305 | | |
| | 305-1 | Direct (Scope 1) GHG emissions | Attachment B. Environmental Data |
| | 305-3 | Other indirect (Scope 3) GHG emissions | Attachment B. Environmental Data |
| | 305-5 | Reduction of GHG emissions | p.64 |
| Effluents and Waste | 306 | | |
| | 306-2 | Total weight of waste by type and disposal method | Attachment B. Environmental Data |
| Environmental Compliance | 307 | | |
| | 307-1 | Monetary value of fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | |
| No fines for non-compliance with environmental laws and regulations were imposed in 2017. | | | |
| SOCIAL | 400 | | |
| Employment | 401 | | |
| | 401-1 | New employee hires and employee turnover | Attachment A. Social Data |
| | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | p.70 |
| Occupational Health and Safety | 403 | | |
| | 403-1 | New employee hires and employee turnover | Attachment A. Social Data |
| | 403-2* | Benefits provided to full-time employees that are not provided to temporary or part-time employees | p.70 |
| Occupational exposure and a disease included in the current list of occupational diseases (asbestosis and other types of silicosis) was confirmed in one case. The decision concerned a former employee, who used to work as a stoker in 1990s. Another decision confirming an occupational disease in a former employee (telephone installer in the Regional Telecommunications Office), which was issued in the reported period, resulted from proceedings initiated in 2016. However, the document indicates that the disease was unrelated to the conditions at the workplace. * Indicator reported partially | | | |
| | 403-3 | Workers with high incidence or high risk of diseases related to their occupation | |
| There are no positions involving high incidence or high risk of occupation-related diseases. | | | |

| GRI Standard Title | Disclosure Number | Disclosure Title | Reference |
|--|-------------------|--|--|
| | 403-4 | Health and safety topics covered in formal agreements with trade unions | |
| Health and safety topics have been covered in the Group Collective Labour Agreement. | | | |
| Training and Education | 404 | | |
| | 404-1 | Average hours of training per year per employee | Attachment A. Social Data |
| | 404-2 | Programs for upgrading employee skills and transition assistance programmes | pp.70-71 |
| | 404-3* | Percentage of employees receiving regular performance and career development reviews by gender and employment category | Attachment A. Social Data |
| * Indicator reported partially | | | |
| Diversity and Equal Opportunity | 405 | | |
| | 405-2 | Ratio of basic salary and remuneration of women to men by position | Attachment A. Social Data |
| Non-discrimination | 406 | | |
| | 406-1 | Incidents of discrimination and corrective actions taken | No such incidents were reported to the Ethics Committee in 2017. |
| Child Labor | 408 | | |
| | 408-1 | Operations and suppliers at significant risk for incidents of child labor and corrective actions taken | No such risk was identified. |
| Forced or Compulsory Labor | 409 | | |
| | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor and corrective actions taken | No such risk was identified. |
| Human Rights Assessment | 412 | | |
| | 412-2 | Employee training on human rights policies or procedures | Attachment A. Social Data |
| Local Communities | 413 | | |
| | 413-1 | Operations with local community engagement, impact assessments, and development programmes | pp.65-67 |
| | 413-2 | Operations with significant actual and potential negative impacts on local communities | |
| <p>In case of a telecommunications company, issues related to the safe use of services mean not only the utmost care for meeting security requirements, but also reliable information on the devices and technologies used. In response to inquiries regarding potential negative influence of radio waves emitted by telecommunication devices and other devices that use new technologies, we have prepared a global Orange portal on radio waves, which explains in simple terms how mobile telephony works. It includes sections presenting latest scientific reports and recommendations for use of mobile devices to reduce exposure to radio waves.</p> <p>The portal has been also translated to Polish and it is available at www.ondes-radio.orange.com/pl/.</p> | | | |
| Public Policy | 415 | | |
| | 415-1 | Total monetary value of financial and in-kind contributions to political parties, politicians or related institutions by country | |
| <p>The company does not finance political parties, politicians or related institutions. Any departures from this rule require specific consent in line with the obligation referred to in the Chapters 8 and 9 of the Orange Polska Anti-corruption Guidelines. In the period from 1 January to 31 December 2017, no consent for financial contributions to political parties or organisations and no consent for offering or granting donations to public officers were granted under Chapters 8 and 9 of the Guidelines.</p> | | | |

| GRI Standard Title | Disclosure Number | Disclosure Title | Reference |
|---|-------------------|---|-----------|
| Customer Health and Safety | 416 | | |
| | 416-1 | Assessment of the health and safety impacts of product and service categories | |
| <p>All mobile phones in Orange Polska's portfolio meet the emission standards specified by the International Commission on Non-Ionizing Radiation Protection (ICNIRP). We ensure they are thoroughly tested and the safety of their use is verified in the process of examining their conformity with essential requirements. All mobile devices in Orange Polska's portfolio are safe for users' health and are accompanied by information on the Specific Absorption Rate (SAR), which is always lower than the official limits (below 2 W/kg). SAR for mobile phones refers to the maximum level of radio waves that the user can be exposed to during a call. SAR values can be found in the user manual (technical specifications), which is provided by the manufacturer, or in handset descriptions at www.orange.pl.</p> <p>Base stations</p> <p>Orange Polska uses proven wireless communication technologies that are safe to all users. The company complies with all European and, much stricter, Polish standards regarding electromagnetic field (EMF) emissions. EMF exposure around all of our base transceiver stations (BTSs) and broadcasting stations does not exceed the limit set forth in Polish regulations, that is 0.1 W/m² in areas accessible to the public.</p> <p>We comply with all the strictest standards on EMF values around all our base and broadcasting stations. As a result of technical efforts related to protection against EMF emissions by BTSs of radio communication facilities developed or operated on our networks, we can ensure compliance with the standards specified in the Regulation of the Minister of Environment regarding permissible EMF values in the environment and methods of verification thereof (Journal of Law No. 192 of 2003, item 1882/83).</p> <p>This is ensured through the following:</p> <ul style="list-style-type: none"> • Development of the relevant estimates of EMF impact on the environment at the planning stage of BTS construction or modernisation projects; • EMF measurements vs. permissible limits, which are subsequently reported to the environmental protection bodies, which decide whether to carry out public consultation or not (public consultation and dialogue concerning network facilities are carried out as part of administrative proceedings and initiated and supervised by the relevant government agencies). | | | |
| | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | |
| No incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle were reported in 2017. | | | |
| Marketing and Labeling | 417 | | |
| | 417-1 | Requirements for product and service information and labeling | |
| <p>All products in Orange Polska's portfolio have the relevant labelling, namely:</p> <ul style="list-style-type: none"> - name and address of the manufacturer and operation manual in Polish; - CE marking pursuant to the Regulation of the Minister of Infrastructure of 15 April 2004 on the assessment of compliance of telecommunication terminal devices to be connected to public network terminating segments and radio devices with the essential requirements and on marking thereof; - the 'basket' icon pursuant to the Act of 29 July 2005 on waste electrical and electronic equipment; - Declaration of Conformity (DoC) pursuant to the Regulation of the Minister of Transport and Construction of 3 February 2006; - Specific Absorption Rate (SAR) information pursuant to the Regulation of the Minister of Transport and Construction of 3 February 2006. | | | |
| | 417-2 | Incidents of non-compliance concerning product and service information and labeling | |
| No incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling were reported in 2017. | | | |
| | 417-3 | Incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications | |
| One fine of PLN 16.3 mln was imposed by UOKiK in 2017. In one case, UOKiK determined that Orange Polska violated collective consumer interests and imposed informational obligations on Orange Polska. In another case UOKiK instituted formal proceedings to examine whether Orange Polska violated collective consumer interests. Orange Polska is negotiating its commitments with UOKiK. | | | |
| Customer Privacy | 418 | | |
| | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | |
| Our customers filed 17 complaints with the Inspector General for Personal Data Protection (GIODO) in 2017. All GIODO's decisions made with respect to these complaints in the reported period confirmed the compliance of personal data processing by Orange Polska with the relevant requirements. No fines were imposed on the Company for breach of personal data protection regulations in 2017. At each stage of data collecting and processing, we ensure that customers are informed about the purpose and scope of data processing, as well as the right to access and rectify their personal data. | | | |
| Socioeconomic Compliance | 419 | | |
| | 419-1 | Non-compliance with laws and regulations in the social and economic area | |
| There were no other penalties, except from the penalty imposed by UOKiK described in 417-3. | | | |

Selected GRI ratios have been subject to external verification of an independent auditor Deloitte Advisory Sp. z o.o.

Attachment A: Social Data

| GRI | | 2016 | 2017 |
|---------|---|---------------|---------------|
| | Employment | | |
| | Total workforce (persons) | 15,571 | 14,615 |
| | Gender | | |
| | men | 9,217 | 8,695 |
| | women | 6,354 | 5,920 |
| | % of women in the workforce | 40.8% | 40.5% |
| | Age | | |
| | up to 30 years of age | 1,224 | 1,024 |
| | 31-50 years of age | 10,901 | 10,204 |
| | over 50 years of age | 3,446 | 3,387 |
| | Regular employees (active full-time positions) | 15,537 | 14,587 |
| | men | 9,204 | 8,688 |
| | women | 6,333 | 5,899 |
| | Employees on open-ended contracts | 15,054 | 14,128 |
| | men | 8,978 | 8,485 |
| | women | 6,076 | 5,643 |
| | Employees on fixed-term contracts | 517 | 487 |
| | men | 239 | 210 |
| | women | 278 | 277 |
| | Full-time employees | 15,457 | 14,514 |
| | men | 9,188 | 8,678 |
| | women | 6,269 | 5,836 |
| | Part-time employees | 114 | 101 |
| | men | 29 | 17 |
| | women | 85 | 84 |
| | Outsourced employees (full-time positions)* | 5,823 | 5,480 |
| | Employees in managerial positions | 2,032 | 1,819 |
| | men | 1,343 | 1,224 |
| | women | 679 | 595 |
| | % of women in managerial positions | 33.4% | 32.7% |
| | People with disabilities | | |
| | % of employees with disabilities | 1.6% | 1.7% |
| | * applies mainly to the call center for the customer service area, telesales and customer market service - operators. | | |
| G102-8 | | | |
| | Social dialogue | | |
| G102-41 | % of employees in trade unions | 33.5% | 30.8% |
| | % of employees covered by the Collective Labour Agreement | 96.0% | 95.7% |
| | Wages | | |
| G202-1 | Average basic salary (in PLN) | 6,550 | 6,791 |
| | Ratio of wages at the lowest positions to the legal minimum wage | 147% | 149% |
| | Working conditions | | |
| | % of employees eligible for health care | 100% | 100% |
| | % of employees covered by the Employee Retirement Plan* | 80.2% | 81.5% |

| GRI | | 2016 | 2017 |
|------------|---|-------|-------|
| G401-1 | Professional mobility | | |
| | Total number of new employee hires | 540 | 552 |
| | Gender | | |
| | men | 315 | 307 |
| | women | 225 | 245 |
| | Age | | |
| | up to 30 years of age | 308 | 238 |
| | 31-50 years of age | 224 | 293 |
| | over 50 years of age | 8 | 21 |
| | Departures, total | 1,231 | 1,301 |
| | Departures, excluding voluntary | 603 | 568 |
| | Gender | | |
| | men | 347 | 359 |
| | women | 256 | 209 |
| | Age | | |
| | up to 30 years of age | 114 | 154 |
| | 31-50 years of age | 408 | 376 |
| | over 50 years of age | 81 | 38 |
| | Turnover* | 3.7% | 3.8% |
| | Gender | | |
| | men | 3.7% | 4.0% |
| | women | 3.9% | 3.4% |
| | Age | | |
| | up to 30 years of age | 10.7% | 16.8% |
| | 31-50 years of age | 3.5% | 3.5% |
| | over 50 years of age | 2.3% | 1.1% |
| | * Total number of employees leaving, excluding voluntary departures (for reasons unrelated to the employer) and departures at the employer's initiative as well as intra-group transfers (e.g. an Orange Polska employee departing for OCS) | | |
| G403-2**** | Occupational health and safety* | | |
| | Number of accidents | 32 | 45 |
| | Accident frequency rate** | 2.3 | 3.0 |
| | Days off work due to work-related accidents | 1,026 | 994 |
| | Accident severity rate*** | 33.1 | 22.1 |
| | fatal accidents | 1 | 0 |
| | serious accidents | 0 | 0 |
| | other accidents | 31 | 45 |
| | * Only for Orange Polska ** Number of persons injured in work-related accidents per 1,000 employees *** Number of days off per accident **** Indicator reported partially | | |

| GRI | | 2016 | 2017 |
|-------------------|---|--------|--------|
| G404-1 | Development and education* | | |
| | Total employees trained (in '000) | 15.29 | 15.14 |
| | Total hours of training (in '000) | 542.4 | 484.5 |
| | Number of training hours per employee per year | 35.5 | 32 |
| | Gender | | |
| | men | 35.1 | 30.0 |
| | women | 35.4 | 35.9 |
| | Position | | |
| | managers | 36.3 | 35.8 |
| | non-managers | 35.2 | 30.75 |
| | * data refer to Orange Polska and Integrated Solution. Data by the status of the training database - 31.12.2017 | | |
| G404-3 | Employee assessment | | |
| | % of regularly evaluated employees | 97.2% | 94.4% |
| | Gender | | |
| | men | 96.7% | 94.8% |
| | women | 95.7% | 93.8% |
| | % of employees with individual development plans | 81.3% | 82.3% |
| | Scheduled development tasks | 21,946 | 22,607 |
| | % of regularly evaluated outsourced employees | 99.8% | 97.8% |
| | % of outsourced employees with individual development plans | 75.4% | 73.4% |
| G405-2 | Ratio of basic salary of women to men by employee position (men's salary = 100%)* | | |
| | general | 79.4% | 79.4% |
| | non-managerial positions | 82.5% | 82% |
| | managerial positions | 80.1% | 83.5% |
| | * Only for Orange Polska | | |
| G205-2, G412-2 | Human rights and ethics training | | |
| | Total hours of ethics training of employees | 386 | 635 |
| | Total hours of ethics training of partners | 560 | 588 |
| | Anti-bribery and corruption training | | |
| | Total hours of compliance training of employees (in '000) | 3.0 | 1.8 |
| | Total hours of compliance training of partners | 1,532 | 999 |

All indicators for the Orange Polska Group unless indicated otherwise

Attachment B: Environmental Data

| GRI | | Unit | 2016 | 2017 |
|------------------|--|---------------------|----------|---------|
| G301-1 | Materials | | | |
| | Waste paper, cardboard boxes: internally and externally | '000 tonnes | 1.3 | 1.8 |
| G302-1 | Energy | | | |
| | KPI: Electricity consumption/customer | kWh/customer | 25.9 | 27.4 |
| | Direct energy consumption by primary energy sources | | | |
| | Fuel (all buildings, all uses) | '000 m ³ | 2.1 | 2.2 |
| | Gas | '000 m ³ | 5,075 | 3,103 |
| | Coal | tonnes | 51.6 | 70.8 |
| | petrol-LPG vehicles company | 000 litres | 671 | 765 |
| | Diesel vehicles company | 000 liters | 3,957 | 3,240 |
| | Energy produced during combustion, primary sources | GWh | 78.5 | 57 |
| | Total energy Scope 1 | GWh | 124 | 97 |
| G302-2 | Indirect energy consumption, primary energy sources | | | |
| | Electricity | GWh | 588 | 581 |
| G305-1 G305-3 | Greenhouse gas emissions* | | | |
| | CO ₂ emissions excluding transport | '000 tonnes | 462.7 | 454.7 |
| | Total CO ₂ emissions during transport | '000 tonnes | 12.3 | 10.7 |
| | Total CO ₂ emissions | '000 tonnes | 475 | 465.4 |
| | KPI: CO ₂ emissions during electricity consumption/customer | kg/customer | 19.6 | 20.7 |
| | KPI: CO ₂ emissions (all energies)/customer | kg/customer | 21 | 22 |
| G303-1 | Water | '000 m ³ | 393.9 | 315 |
| G306-2 | Waste | | | |
| | Internal WEEE (network & tertiary) | tonnes | 20.31 | 70.4 |
| | Wooden poles | tonnes | 43.44 | 190.9 |
| | Cables | tonnes | 345.1 | 287.9 |
| | Batteries | tonnes | 138.81 | 101.8 |
| | Paper / Cardboard | tonnes | 45.42 | 13.8 |
| | Other hazardous waste (including PCB) | tonnes | 4.64 | 7.0 |
| | Other non-hazardous waste | tonnes | 834.07 | 1,050.4 |
| | Waste recycled internally | tonnes | 1,431.79 | 1,722.2 |
| | Waste electrical and electronic equipment | | | |
| | EMS KPI: ISO 14001 | % | 26.7 | 28.5 |

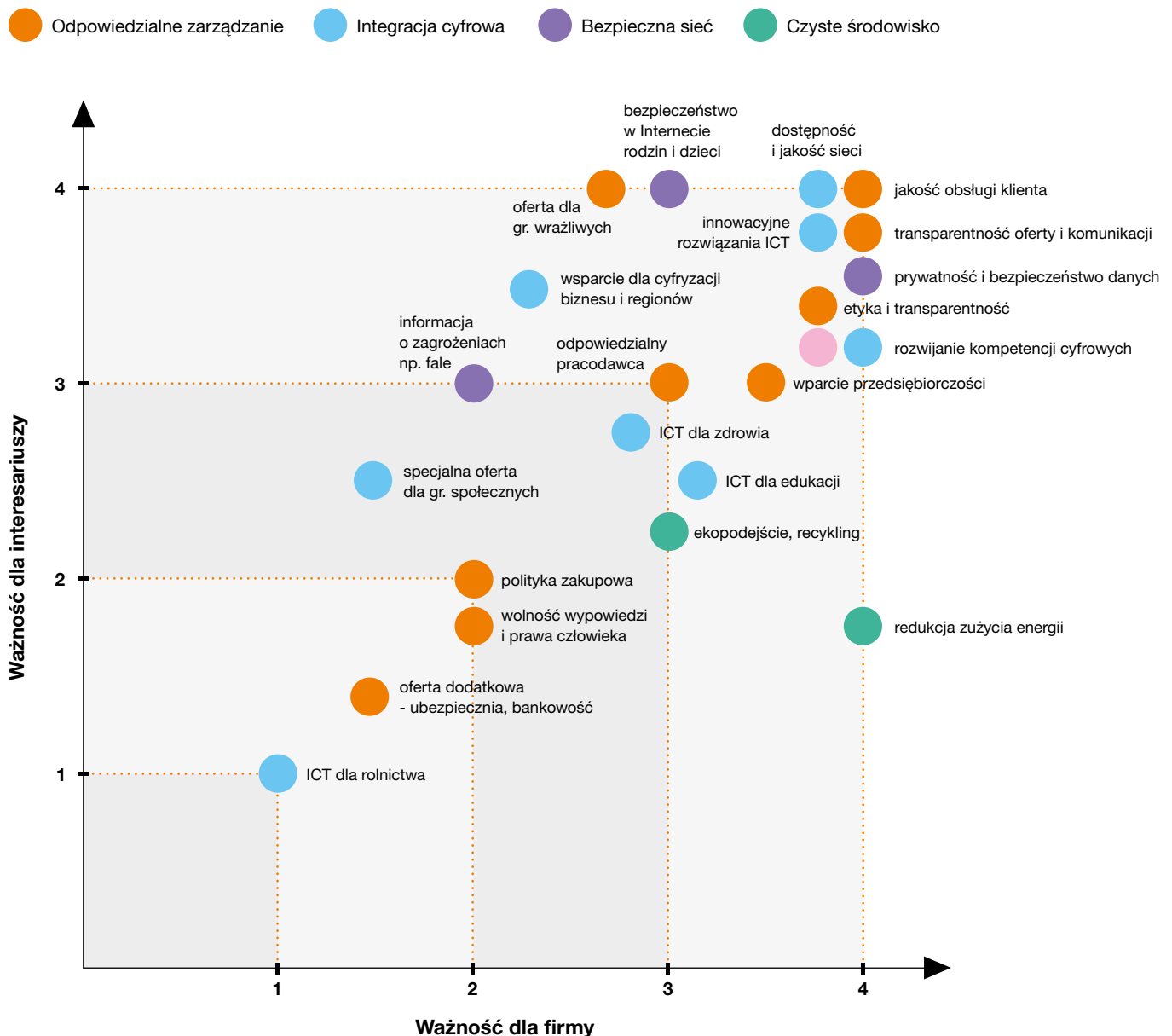
* Scope 1 (direct) GHG emissions are defined as emissions from sources (resources, processes) that are owned or controlled by the organisation. Due to the global guidelines and accepted objectives, only CO₂ emissions are monitored

The process of defining the Report's content

A process of defining the key aspects of reporting for Orange Polska has involved the following:

- Analysis of surveys of public opinion and residential and business customers regarding important issues for a responsible telecom operator as well as media publications concerning the Company;
- Analysis of employee satisfaction surveys;
- Analysis of the key indicators of Orange Polska's social impact;
- Orange Group's non-financial reporting standards;
- Review of challenges facing the telecommunications industry in Poland and worldwide as well as activities of other tel-eoms in this respect;
- Dialogue with stakeholders around Orange Polska's CSR strategy for 2016–2020;
- Dedicated dialogue with stakeholders on service accessibility, diversity management and circular economy;
- Review of documents defining the challenges for businesses in the context of sustainable development: Strategy for Responsible Development, Sustainable Development Goals;
- Requirements of the Directive 2014/95/EU regarding disclosure of non-financial and diversity information;
- Stakeholder feedback on our last year's report.

Obszary strategii CSR



The ultimate range and content of reporting has been developed in consultation with the Company's management and has been subject to approval by the Disclosure Committee.

Sustainable Development Goals

Orange Polska has embraced the Sustainable Development Goals (SDGs). The Company signed the Declaration of Partnership for Sustainable Development during a conference "The 2030 Agenda for Sustainable Development – goals for the world, challenge for the country, responsibility for all" organised by the Ministry of Development.

| Sustainable Development Goals | Reference |
|---|------------------------|
|  | pp. 66–67 |
|  | p. 70 |
|  | pp. 25, 66–67 |
|  | pp. 68–69, 89, 98, 128 |
|  | pp. 24–25, 66, 70 |
|  | pp. 24, 43, 67 |
|  | pp. 19, 29 |
|  | pp. 43, 74 |
|  | pp. 64–65 |
|  | pp. 48, 64–65 |
|  | pp. 106–108 |
|  | pp. 66–68, 143 |



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Independent Limited Assurance Report on Indicators Presented in the Integrated Report of Orange Polska for the year ended 31 December 2017.

To the Management Board of Orange Polska S.A.

ul. Aleje Jerozolimskie 160
02-326 Warszawa

Scope of work performed

We have undertaken a limited assurance engagement on the indicators presented in the **Integrated Report of Orange Polska for the year from 1st January 2017 – 31st December 2017** (the "Integrated Report"), developed by Orange Polska S.A. (the "Company") and marked with light orange colour in a column "Disclosure Number" in a table "GRI Index Table" that is a profile disclosures and selected, material specific indicators: 203-1, 203-2, 205-3, 206-1, 302-1, 302-4, 302-5, 305-1, 305-5, 307-1, 401-1, 401-2, 403-1, 403-2, 404-1, 404-2, 404-3, 406-1, 408-1, 409-1, 415-1, 416-1, 416-2, 417-1, 417-2, 417-3, 418-1, 419-1 („Selected indicators"). The indicators have been reported on the basis of Sustainability Reporting Guidelines GRI Standards for "Core" option, issued by Global Reporting Initiative (GRI).

Responsibility of the Management Board of the Company

The Management Board of the Company is responsible for the preparation and presentation of the indicators presented in the Integrated Report in accordance with Sustainability Reporting Guidelines GRI Standards for "Core" option, issued by Global Reporting Initiative (GRI). This responsibility includes establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. The Management Board of the Company is also responsible for reliable, correct and fair information and for correct preparation of the documentation provided to us.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In compliance with International Standard on Quality Control No 1, issued by International Federation of Accountants Deloitte maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the indicators as marked in the GRI index presented in the Integrated Report based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standards on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the selected indicators presented in the Integrated Report are free from material misstatement.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

In order to form our conclusion on the indicators as marked in the GRI index presented in the Integrated Report, we undertook in the period 25 April 2018 – 22 June 2018 the following procedures:

- Through inquiries, obtained an understanding of Orange Polska S.A. control environment and information systems relevant to reporting the indicators under review, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.

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- Obtained an understanding through inquiries, analytical procedures, observation and other applicable evidence gathering procedures on a sample basis on the key structures, systems, processes, procedures and internal controls relating to collation, aggregation, validation and reporting of data for the indicators under review.
- Evaluated whether Orange Polska S.A. methods for developing estimates are appropriate and had been consistently applied. However our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate Orange Polska S.A. estimates.
- Compared the information included in the Integrated Report to internal documentation of the Company.
- Undertook site visits to assess the completeness of the indicators under review, data collection methods, source data and relevant assumptions applicable to the indicators.

Limitations

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Our limited assurance engagement has been limited to the indicators as marked in the GRI index presented in the Integrated Report and does not extend to the rest of the information included in the report nor the report as a whole. Accordingly, our conclusion below covers only these indicators and not all data presented or any other information included in the Integrated Report.

The process the organization adopts to define, gather and report data on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature is subject to variations in definitions, collection and reporting methodology with no consistent, accepted standard. This may result in non-comparable information between organizations and from year to year within the organization as methodologies develop. The accuracy and completeness of the information disclosed in the Integrated Report are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information.

Conclusion

Based on our work we have obtained limited assurance that the information concerning the indicators as marked in the GRI index included in the Integrated Report developed by the Orange Polska S.A. are not inconsistent with Sustainability Reporting Guidelines GRI Standards for 'Core' level issued by Global Reporting Initiative and no matters has come to our attention to cause us to believe that the reviewed indicators presented in the Integrated Report are materially misstated.

Deloitte Advisory Sp. z o.o.
Warsaw, 22 June 2018

Methodological note for non-financial indicators

workforce data

The workforce data presented in this Report have been collected using the HR-Info system, which accounts for variables such as employee's gender or position. The data fed to HR-Info are based on the data contained in the HR systems of the member companies of Orange Polska and are reported in line with the Orange Group's standards.

managers (employed under employment contracts as at the end of the reported period)

The management rate refers to middle to top managers employed under employment contracts. Employees are classified as "managers" on the basis of their employment groups, according to their competence profile, in line with the Orange Group's standards.

accidents at work

This rate corresponds to the number of occurrences that were classified as accidents at work during the reported period. Under Polish regulations, this is ultimately determined by the date of the employer's decision to recognise an occurrence as a work-related accident rather than the date of accident itself.

environmental data

Environmental data are based on reporting to the INDICIA database. In 2017, Orange Polska reported about 100 environmental indicators on a quarterly basis.

energy

Electricity consumption in Orange Polska's buildings is determined using a statistical method devised by an Orange Labs' statistician and approved by both Orange Group and external auditors. Fuel consumption refers to the total consumption of all fuels (heating oil, diesel oil, petrol and heavy fuel oil), excluding motor vehicles. Indicators adopted for calculating energy in GWh are set by the Group and are subject to independent verification at Group level.

CO₂ emissions

For electricity consumption, the emissions are calculated according to the GHG Protocol (2009) with the most recent update (2012). Emission factors for fuels (gas, fuel oil, coal, petrol, diesel oil and LPG) are derived from the GHG Protocol (2007). Emission calculations are conducted at the global level using emission factors derived from IAE.

electronic and electrical waste collection

The "E-waste collected from customers" corresponds to the total amount of handsets, desktop telephones and multimedia devices delivered to sale outlets, sent by mail or collected by service providers. This also accounts for waste mobile phones of Orange Polska's employees as well as batteries and chargers collected. This indicator is not used in the Group companies which do not have the relevant channel for e-waste collection and recycling.

Glossary of telecom terms

- 4G** – fourth generation of mobile technology, sometimes called LTE (Long Term Evolution)
- Access Fee** – revenues from monthly fee from New Tariff Plans (incl. Free minutes)
- ARPU** – Average Revenues per User
- AUPU** – Average Usage per User
- BSA** – Bitstream Access Offer
- CATV** – Cable Television
- CDMA** – Code Division Multiple Access, second generation wireless mobile network used also as a wireless local loop for locations where cable access is not economically justified
- EBITDA** – Operating income + depreciation and amortisation + impairment of goodwill + impairment of non-current assets
- F2M** – Fixed to Mobile Calls
- FBB** – Fixed Broadband
- FTE** – Full time equivalent
- FTTH** – Fibre To The Home
- FVNO** – Fixed Virtual Network Operator
- ICT** – Information and Communication Technologies
- ILD** – International Calls
- IP TV** – TV over Internet Protocol
- Liquidity Ratio** – Cash and unused credit lines divided by debt to be repaid in the next 18 months
- LLU** – Local Loop Unbundling
- LTE** – Long Term Evolution, standard of data transmission on mobile networks (4G)
- M2M** – Machine to Machine, telemetry
- MTR** – Mobile Termination Rates
- MVNO** – Mobile Virtual Network Operator
- Net Gearing** – net gearing after hedging ratio = net debt after hedging / (net debt after hedging + shareholders' equity)
- Organic Cash Flow** – Organic Cash Flow = Net cash provided by Operating Activities – (CAPEX + CAPEX payables) + proceeds from sale of assets
- RAN agreement** – agreement on reciprocal use of radio access networks
- RIO** – Reference Interconnection Offer
- SAC** – Subscriber Acquisition Costs
- SIMO** – mobile SIM only offers without devices
- SRC** – Subscriber Retention Cost
- UKE** – Urząd Komunikacji Elektronicznej (Office of Electronic Communications)
- UOKiK** – Urząd Ochrony Konkurencji i Konsumentów (Office for Competition and Consumer Protection)
- USO** – Universal Service Obligation
- VDSL** – Very-high-bit-rate Digital Subscriber Line
- VHBB** – Very high speed broadband, above 30 Mbps
- VoIP** – Voice over Internet Protocol
- Wireless for fixed** – LTE broadband access offers dedicated to use within the Home/Office Zone, consisting of a fixed router (Home Zone) plus large or unlimited data packages, which are a substitute for fixed broadband and are provided by all mobile operators in Poland, including Orange Polska.
- WLL** – Wireless Local Loop
- WLR** – Wholesale Line Rental

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