

Attachment

*to the Supervisory Board Resolution
No. 13/16 dated 9 March 2016*

REPORT

on the activity of the Supervisory Board of Orange Polska S.A. and its committees and assessment of the Orange Polska Group's standing in 2015

I. COMPOSITION:

Composition of the Supervisory Board on 1 January 2015:

1. Maciej Witucki - Chairman
2. Prof. Andrzej K. Koźmiński - Deputy Chairman and Independent Board Member
3. Gervais Pellissier - Deputy Chairman and Chairman of the Strategy Committee
4. Marc Ricau - Secretary
5. Dr. Henryka Bochniarz - Independent Board Member
6. Jean-Marie Culpin - Board Member
7. Eric Debroeck - Board Member
8. Ramon Fernandez - Board Member
9. Dr. Mirosław Gronicki - Independent Board Member
10. Russ Houlden - Independent Board Member and Chairman of the Audit Committee
11. Sławomir Lachowski - Independent Board Member
12. Marie-Christine Lambert - Board Member
13. Gérard Ries - Board Member
14. Dr. Wiesław Rozłucki - Independent Board Member and Chairman of the Remuneration Committee
15. Valérie Théron - Board Member

In 2015 the following changes occurred in the composition of the Supervisory Board:

On 9 April 2015, the mandates of Ms. Henryka Bochniarz, Mr. Ramon Fernandez, Mr. Andrzej K. Koźmiński, Mr. Sławomir Lachowski, Ms. Marie-Christine Lambert and Mr. Wiesław Rozłucki expired.

On the same day, Ms. Henryka Bochniarz, Mr. Ramon Fernandez, Mr. Andrzej K. Koźmiński, Ms. Marie-Christine Lambert, Ms. Maria Pasło-Wiśniewska and Mr. Wiesław Rozłucki were appointed by the Annual General Assembly as Members of the Supervisory Board.

Composition on 31 December 2015:

1. Maciej Witucki - Chairman
2. Prof. Andrzej K. Koźmiński - Deputy Chairman and Independent Board Member
3. Gervais Pellissier - Deputy Chairman and Chairman of the Strategy Committee
4. Marc Ricau - Secretary
5. Dr. Henryka Bochniarz - Independent Board Member
6. Jean-Marie Culpin - Board Member
7. Eric Debroeck - Board Member
8. Ramon Fernandez - Board Member
9. Dr. Mirosław Gronicki - Independent Board Member
10. Russ Houlden - Independent Board Member and Chairman of the Audit Committee
11. Maria Pasło-Wiśniewska - Independent Board Member
12. Marie-Christine Lambert - Board Member
13. Gérard Ries - Board Member

14. Dr. Wiesław Rozłucki - Independent Board Member and Chairman of the Remuneration Committee
15. Valérie Théron - Board Member

At present, the Supervisory Board has six independent members, namely Messrs. Dr. Henryka Bochniarz, Dr. Mirosław Gronicki, Russ Houlden, Prof. Andrzej K. Koźmiński, Maria Paśło-Wiśniewska and Dr. Wiesław Rozłucki.

On 3 February 2016 Prof. Andrzej K. Koźmiński resigned from the position as Member of the Supervisory Board with effect on 12 April 2016.

Three permanent committees operate within the Supervisory Board. Their composition was the following (as of 31 December 2015):

- **Audit Committee:** Russ Houlden – Chairman, Marie-Christine Lambert, Maria Paśło-Wiśniewska and Marc Ricau – members;
- **Remuneration Committee:** Dr. Wiesław Rozłucki – Chairman, Prof. Andrzej K. Koźmiński, Marc Ricau and Valérie Théron – members;
- **Strategy Committee:** Gervais Pellissier – Chairman, Dr Henryka Bochniarz, Eric Debroeck, Dr. Mirosław Gronicki, Maria Paśło-Wiśniewska and Gérard Ries – members.

The Audit Committee is chaired by an independent member of the Supervisory Board with relevant experience and qualifications in finance, accounting and audit.

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

II. OPERATION

The Supervisory Board, acting in compliance with the provisions of the Commercial Companies Code and the Company's Articles of Association, exercised permanent supervision over the Company's operations in all fields of its activities.

In 2015 the Supervisory Board fulfilled its duties resulting from the provisions of the Commercial Companies Code:

1. Appraisal of the Management Board's report on Orange Polska SA operations and the financial statements for the financial year 2014 and the Management Board's motion for distribution of the Company's profit;
2. Appraisal of the Management Board's report on Orange Polska Group's operations and the consolidated financial statements for the financial year 2014;
3. Filing with the General Assembly reports presenting the results of the above mentioned appraisals.

The Supervisory Board took due care to ensure that the Management Board's reports and the financial statements were in compliance with the law.

The Supervisory Board also executed its rights and obligations arising from the Company's Articles of Association and the Best Practice for Companies listed on the Warsaw Stock Exchange, of which the following should be mentioned:

- 1) expressing opinions on motions addressed to the General Assembly,
- 2) selecting an independent auditor to audit the Company's financial statements,
- 3) preparing opinions on Orange Polska S.A. and Orange Polska Group budget,
- 4) concise assessment of the Orange Polska Group's standing in 2014, including an assessment of the internal control system and the significant risks management system,
- 5) deciding on the composition of the Management Board and the evaluation of its performance.

The Supervisory Board met 6 times in 2015 and adopted 23 resolutions, of which 6 were in writing (by correspondence).

The Supervisory Board used in its operations opinions of its Committees (the Audit Committee, the Remuneration Committee and the Strategy Committee), wherever applicable.

The reports of the three permanent committees of the Supervisory Board on their activities in 2015 are attached hereto.

The Supervisory Board formulated a number of recommendations, remarks and motions to the Management Board, referring to different aspects of the Company's operations.

The Supervisory Board was regularly monitoring the execution of its resolutions and recommendations, analysing the information presented by the Management Board.

The Supervisory Board evaluates that:

- knowledge, experience and competence of each member and the composition, organisation and operation of the Supervisory Board and its committees allowed them effective supervision over the activities of Orange Poland,
- properly and with due care performed its duties in 2015.

III. ASSESSMENT OF ORANGE POLSKA GROUP'S STANDING IN 2015

This section contains the Supervisory Board assessment of the Orange Polska Group's performance in 2015 in accordance with the recommendation no. II.Z10.1 of the Code of Best Practices for WSE Listed Companies 2016, introduced by the Warsaw Stock Exchange. The assessment is based on the 2015 financial results of the Group (the Company and its subsidiaries) as well as on the information obtained by the Supervisory Board during conducting its statutory tasks.

Throughout 2015, the Supervisory Board focused on the following issues:

- a) implementation of the medium term action plan for 2013–2015;
- b) Group's financial results and performance in comparison to the budget;
- c) participation of Orange Polska in the auction for the reservation of frequencies in the 800 and 2600 MHz bands;
- d) new philosophy and visual identity for Orange in Poland - listening and responding to customer needs;
- e) convergent offer;
- f) concluding financing agreements with Orange Group;
- g) monitoring of the key programs for the Group's future, particularly the program of mobile access co-use with T-Mobile;
- h) customer satisfaction – the customer excellence programme;
- i) investments in the rollout of the fibre network;
- j) real estate portfolio optimisation.

The Supervisory Board, through the work of its committees and all its members (including six independent members), was actively engaged in the process of evaluation of the most important initiatives, having in mind the interest 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 2015 Orange Polska business continued to develop in line with the priorities that were set a year ago. Namely: investments in connectivity, growth in customer satisfaction and further efficiency

improvements. It was a very intensive period marked by several developments with long-term significance and consequences.

In April Orange Polska launched a new philosophy and visual identity for Orange brand in Poland. It is now more in tune with the digital world and engaged in active dialogue with our customers. The new 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. The new approach contributed to a significant improvement in Net Promoters’ Score (NPS) an indicator that reflects customers’ holistic experience with the operator, including not only customer care but also quality of connectivity and how well the offers fit their needs. NPS in December 2015 was on the highest ever level for Orange Polska.

This all translated into much better results in commercial activity especially in mobile post-paid. Mobile post-paid customer base in 2015 grew by 682k, or almost 9% year-on-year. This was the highest annual increase since 2007. As a result, according to Company’s estimates Orange Polska market share increased in this category and exceeded 27%. This success – well-balanced across all segments of the market – was the consequence of a number of actions. On the mass market, customers responded very well to the new multi-SIM Family offers and a new innovative mobile broadband offer. On the business market, the main growth drivers were simplification of offers, anti-churn actions and good performance in key accounts.

In 2015, Orange Polska continued a strong focus on the convergent offer, Orange Open, combining mobile and fixed line products. Its customer base grew by nearly 35% to 728 thousand and constituted also 35% of all fixed broadband users. The customer base of fixed broadband decreased by 136,000, with ADSL and CDMA as the sole reasons of the decrease. The number of users of fast VHBB services grew more than 80%, accounting for 15% of all customers by the end of the year.

In 2015 Orange Polska started significant investments in the rollout of the fibre network as a response to strong demand for fast Internet and an opportunity to win back market share back from cable operators. Rollout conducted in 2015 included 638 thousand of connectable households, in line with the plan. However due to savings, the plan was delivered at a lower than expected cost.

At a result of long auction process, Orange Polska purchased 2 blocks of 800MHz spectrum and 3 blocks of 2,600MHz spectrum. This is the best possible outcome. Orange Polska secured desired amount of spectrum at a price below the average paid by its competitors. Although the price was high, it was a fair reflection of the rules of the process and the high level of competition. The auction outcome improves the competitive environment very much to the benefit of Orange Polska, and is crucial to its long-term strategy not only in mobile but also in fixed services.

In December, Orange Polska signed new social plan with Trade Unions covering 2016-2017. According to the plan up to 2050 employees may benefit from voluntary departures.

Group’s Financial Overview

The Group’s key goals in 2015 were to:

- Drawing benefits from the fixed broadband market deregulation
- Execution of the fibre access network project that includes coverage of up to 650,000 households with the very fast fixed broadband service in fibre technology
- Further growth of LTE network coverage on 1,800MHz
- Participation in the spectrum auction for 800MHz and 2,600MHz frequencies so as to facilitate access to LTE spectrum
- Development of new commercial actions to strengthen the company’s position in all of its markets of operation, in particular use of the Group’s unique resources to fully utilise the benefits of convergent opportunities
- Launch action to counteract competitive pressure in the business segment
- Continuing the development of the new initiatives – Orange Finance and Orange Energy

- Increasing customer satisfaction and loyalty, also by further implementation of the customer excellence program
- Generating organic cash flow of around PLN 900 million¹
- Further optimisation of the Company's assets, including disposal of unused properties
- Development of new cost optimisation initiatives to mitigate impact of revenue pressure
- Maintaining financial stability and monitor closely the level of debt ratios
- Further enhancing internal control and risk management measures
- Monitoring business performance closely to be able to react quickly to unfavourable changes in market environment
- Monitoring and analysing any acquisition opportunities on the market
- Remunerating shareholders at a reasonable level, taking into consideration the Group's financial structure and future capital requirements

Consolidated revenues totalled PLN 11,840 million in 2015, marking a year-on-year decrease of 2.9% or PLN 351 million. The regulatory impact was limited to only PLN 52 million versus PLN 255 million in 2014. Excluding this regulatory impact, revenue evolution remained under pressure, primarily due to the fall in fixed services (stemming mainly from structural erosion of fixed voice and wholesale), and price pressure, which negatively impacted mobile voice services (especially in the B2B segment). These factors were partially offset by higher sales of mobile equipment (by PLN 216 million), higher mobile interconnect revenues (by PLN 163 million) and higher other revenues.

Restated EBITDA for full year amounted to PLN 3,521 million (at 29.7% of revenues), down by PLN 395 million or 10.1% year-on-year. This decline reflects mainly revenue erosion, higher interconnect costs (by PLN 139 million), and higher direct commercial expenses (by PLN 156 million). The latter was a consequence of our aggressive marketing strategy focused on intensive customer acquisition, which resulted in a 9% year-on-year increase in our mobile post-paid customer base.

The Company generated PLN 952 million of organic cash flow, in line with the guidance of around PLN 900 million. It was impacted by the first year of fibre network rollout, which constitutes an investment into future connectivity improvement. Excluding the cash effect of this investment organic cash flow would be almost on similar level with 2014.

In 2015, the Group paid a dividend of PLN 656 million, an equivalent of PLN 0.5 per share, payable in cash.

Conclusions and 2016 Recommendations

In 2015 Orange Polska significantly improved its strategic position on the Polish telecom market. Commercial strategy brought excellent results in mobile post-paid and increase in market share. Customers' perception of Orange services significantly improved. The Group is much better equipped with mobile spectrum and delivered on its first year of fibre network rollout. Financial results were in line with objectives. Achievements of 2015 give solid ground for execution of new medium-term action plan that the Orange Polska has announced in February 2016.

The Supervisory Board's opinion is that in 2016 the Group should, focus its activities on execution of its new action plan, in particular, in the following key aspects:

- Further extension of coverage of LTE technology and launch of services on newly purchased mobile spectrum
- Continue fibre network rollout to cover up to 800,000 new households connectable
- Development of commercial strategy aimed mainly at monetisation of new mobile spectrum, commercialisation of fibre network and actions to strengthen the Company's position in all of its markets of operation,
- Use of the Group's unique resources to fully utilise the benefits of convergent opportunities

¹ excluding one-offs: acquisition of any new spectrum, potential payment of the EC fine, and certain other claims and litigations

- Increasing customer satisfaction and loyalty, also by further implementation of the customer excellence program
- Further optimisation of the Company's assets, including disposal of unused properties
- Development of new cost optimisation initiatives to mitigate impact of revenue pressure
- Maintaining financial stability and monitor closely the level of debt ratios (net debt-to-restated EBITDA not to exceed 2.2)
- Deliver restated EBITDA in the guidance range of PLN 3.15-3.30 billion
- Monitoring and analysing any acquisition opportunities on the market
- Remunerating shareholders at a reasonable level, taking into consideration the Group's financial structure and future capital requirements

IV. ASSESSMENT OF THE GROUP'S INTERNAL CONTROL, RISK MANAGEMENT, COMPLIANCE AND INTERNAL AUDIT

The Supervisory Board is responsible for reviewing the effectiveness of the Group's system of internal control and risk management designed and established by the Management Board, as well as the compliance system and the internal audit function.

This system of internal control and risk management facilitates the management of the risk of failure to achieve business objectives and provides reasonable assurance against material misstatement or loss (risk management does not mean the full elimination of risk, but provides for better risk identification and the implementation of adequate measures as needed). The relevant processes are designed to give reasonable, but cannot give absolute, assurance that the risks significant to the Group are identified and addressed.

The key elements of the system of internal control, including risk management, were presented in the Management Board's Report on the Activity of the Group for 2015, published on 15 February 2016.

In 2015, the Group again completed a comprehensive assessment of its processes of internal control over financial reporting within the framework of the Sarbanes-Oxley Program of Orange S.A. Main deficiencies both in design and in effectiveness of internal control have been identified and corrected, or appropriate action points have been launched. As a result of the assessment, the Management concluded that there were no weaknesses that would materially impact the internal controls and financial reporting at 31 December 2015.

Both the internal and external auditors report to the Management Board and also to the Audit Committee on control deficiencies which they identified during their audit. Their recommendations are being implemented.

Most important risks are updated annually by the Management Board and presented to the Supervisory Board.

Matters related to compliance are being reported to the Supervisory Board's Audit Committee in following areas: ethics, general compliance with laws and regulations, anti-fraud, security and anti-corruption. Activities of the Compliance Management function, the results of planned inspections, as well as the results of inspections initiated by notification of irregularities (whistle-blowing) are monitoring on the basis of reports submitted periodically. Applied actions and mechanisms are ensuring the effectiveness of the Group's compliance function.

The internal audit function, which reports directly to the President of the Management Board, ensures objective and independent assessment of the adequacy, effectiveness and quality of the Group's internal controls. The internal audit works in accordance with a charter approved by the Audit Committee, which also reviews annual internal audit program and analyses the Orange Polska's Internal Audit reports.