

REPORT

on the 2019 activities of the Audit Committee of the Orange Polska S.A. Supervisory Board

The Audit Committee was established by virtue of the resolution of the Supervisory Board no.324/V/2002 dated June 14, 2002 regarding the establishment of the Audit Committee as a consultative body acting under the Supervisory Board.

The role of the Committee is to review the integrity of the financial information reported externally, the independence and objectivity of the Orange Polska (the "Company", "OPL") and Orange Polska Group's (the "Group") 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.

Audit committee members

1. John Russell Houlden – Chairman ("Independent Director")
2. until 24 April 2019 Federico Colom Artola
3. until 24 April 2019 Prof. Michał Kleiber ("Independent Director")
4. Dr Maria Pasło-Wiśniewska ("Independent Director")
5. Marc Ricau
6. from 24 April 2019 Monika Nachyła ("Independent Director")
7. from 24 April 2019 Jean –Michel Thibaud

The Audit Committee is chaired by Mr. John Russell Houlden, an Independent Director of the Supervisory Board. He has relevant experience and qualifications in finance, accounting and audit. Other Independent Directors of the Committee are Dr Maria Pasło-Wiśniewska and Monika Nachyła.

Letter from the Chairman of the Audit Committee

Dear Shareholder,

I am pleased to attach my report on the activities of the Audit Committee over the past 12 months. One of the most important considerations of the Audit Committee in 2019 was the preparation for the selection of an auditor for the next period. The Polish Act on Auditors limited the term of appointment of an auditor to five years (with certain exceptions) and 2019 was the fifth year of audit of Ernst & Young. The assessment of various options open for the Company in terms of appointment of an auditor for 2020 and the following years as well as running the tender process constituted an important part of the work of the Audit Committee in 2019.

Similarly to 2018 a significant part of the work of the Audit Committee in 2019 related to the International Financial Reporting Standard 16 (Leases). As expected, given that the standard allowed for different approaches to its implementation, practice differed across industries and jurisdictions. In light of interpretation guidance produced by the IASB in 2019 the Company decided to refine its original

approach and expects to introduce further refinements in 2020. The Audit Committee thoroughly reviewed the manner of implementation proposed by Management and discussed with Management as well as with the auditor the choices which were made and reasons behind them. The Audit Committee is satisfied that the Company has implemented the standard 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. In addition to IFRS 16 mentioned above, the most significant areas of judgement were those regarding presentation of financial figures and disclosures related to two transactions that the Company entered into, namely the acquisition of Blue Soft and Essembli and the sale of real estate in Warsaw. The Audit Committee also reviewed 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 Directors 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

Main responsibilities of the committee:

The key functions of the Audit Committee are specified in its Terms of Reference attached to the Regulations of the Supervisory Board and include but are not limited to (i) monitoring the integrity of the financial information reported externally, (ii) reviewing the Group's internal control and risk management systems, (iii) reviewing plans for internal audit and their reports, (iv) reviewing and giving opinions on significant transactions with related parties, (v) recommending the selection and re-appointment of the audit firm, (vi) monitoring the independence and objectivity of the Company's external auditors, the nature and scope of the audit and monitoring the auditors' work, (vii) giving the Supervisory Board recommendations to ensure the faithful representation and relevance of the financial reporting process in the Company and the Group.

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 Audit Committee held six meetings in 2019. The meetings were attended by the Chief Executive Officer, Chief Financial Officer, as well Internal Audit Director. Other members of the Management Board, Executive Directors and other managers and invited guests attended the meetings when appropriate. The meetings were also attended by representatives of the Company's external auditor, Ernst & Young .

Our approach to monitoring the financial reporting process

As required by law, the Audit Committee monitored the process of financial reporting. The goal of the Audit Committee was to assess and provide advice to the Supervisory Board on whether the financial statements as well as the annual report, taken as a whole, secured faithful representation and relevance of the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Audit Committee reviewed the quarterly and annual financial statements. The Committee reviewed also Orange Polska Group's strategic plan as well as budgets. The aim of the review was to ensure that the key messages being followed in the annual and periodic reports were aligned with the Company's position, performance and strategy and that the narrative sections of the reports were consistent with the financial statements. In order to assess that the reports and the financial statements secured faithful representation and relevance of the information, the Audit Committee also reviewed reports on financial performance of the Company, accounting policies and procedures, accounting estimates and judgments, one-off items as well as market guidance and Orange Polska Group's performance against the budget and other information with the aim to assess the Company's position and performance. The Audit Committee was satisfied that all the key events and issues which had been reported by the Management Board during the year, both good and bad, had been adequately referenced or reflected within the annual report.

In 2019, as a result of significant changes in accounting standards, the Committee put special attention on Alternative Performance Measures (APMs) to make sure that the new APMs reported by the Orange Polska Group were in line with the ESMA guidelines, relevant and understandable to shareholders and reflected properly the way in which the Management Board manages the operations of the Orange Polska Group.

The auditor was regularly participating in the meetings of the Audit Committee and gave its view on issues significant from the accounting perspective as they arose during the year. Subsequently, the auditor presented, and the Audit Committee reviewed and where appropriate discussed with the auditor, the additional report prepared as required by the Regulation (EU) No 537/2014 of the European Parliament and of the Council (Audit Regulation).

Our approach to monitoring of performance of auditor

The Audit Committee is responsible for the relationship with the external auditor and that role involves examining the effectiveness of the audit process as well as the independence of the auditor. The auditor is Ernst & Young and 2019 was the fifth year of Ernst & Young being the auditor of the Orange Polska Group.

The Audit Committee reviewed the external auditors' proposed audit plan for 2019 including key auditing matters to be focused on, the materiality level set for audit testing and schedule of planned works and reporting along with planned interactions with the Audit Committee. Subsequently, the Audit Committee reviewed and discussed the auditor's recommendations, observations and comments on key areas requiring special consideration taking into account also the views of the Management Board on those issues. The key auditing personnel participated in the meetings of the Audit Committee to allow for discussion of all issues as they arose during the year. Also, private meetings with the auditor were held by the Audit Committee to ensure open and transparent discussion between the auditor and the Audit Committee without the presence of the Management Board. The Audit Committee monitored the progress of the audit and its quality against the audit plan throughout the year.

In addition, the Audit Committee supported by Internal Audit looked into conflict of interest issues given that Ernst & Young became a statutory auditor of a major competitor of the Company. The measures applied by Ernst & Young in order to secure confidentiality of information including but not limited to Chinese Walls were discussed with the auditor. Generally, the Audit Committee was satisfied with the procedures applied by, and assurance given by, the auditor in this respect. In order to assess the performance and independence of the auditor as well as generally the relationship with the auditor feedback was sought from all members of the Audit Committee, the Management Board, key members of the senior management team and those who have regular contact with the auditor. The feedback was collated and presented to the Audit Committee in April 2019. The Audit Committee also asked the auditor for its feedback on the co-operation with the Company. The conclusions were discussed and opportunities for significant improvement were brought to the attention of both the auditor and the Management Board and key personnel having regular contact with the auditor. Subsequently, the Audit Committee reviewed the report on progress and was satisfied with the implementation of the agreed changes.

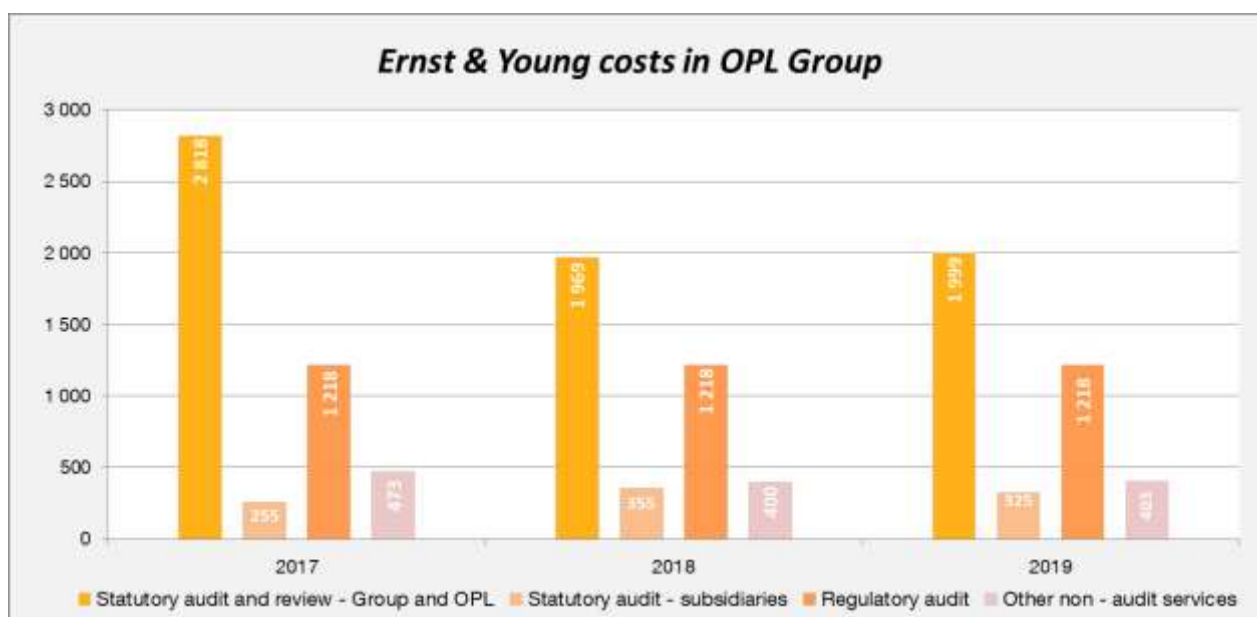
In summary, the Audit Committee concluded that the overall external audit process and services were effective and satisfactory.

Our approach to assessing the independence of the external auditor

There are two aspects to auditor independence that the Audit Committee monitors to ensure the external auditor remains independent of the Company.

First, in assessing the independence of the auditor from the Company, the Audit Committee takes into account the information and assurances provided by the auditor. The Audit Committee received the auditor's statement on independence made in accordance with the Polish Act on Auditors of 11 May 2017 (Polish Audit Act) and the Audit Regulation.

Second, the Audit Committee reviews the proportion of the value of non-audit services rendered by the auditor or its affiliated entities and the audit fees. As required by law, the Company has a Policy on the provision of authorised non-audit services by the audit firm and its affiliated entities. Following the Policy all authorised non-audit services should be approved in advance by the Audit Committee taking into account their potential influence on the independence of the auditor. Also, any additional audit service requires prior consent from the Audit Committee. According to the relevant law as well as the Policy, authorised non-audit services are subject to a fee cap of no more than 70 per cent of the average annual statutory audit fee for the three consecutive financial years preceding the year in which the cap will apply. The 70% rule has been applicable since 17 June 2016 under the Audit Regulation. Management provides the Audit Committee with information on the value of non-audit services compared to the average statutory audit fee presenting data for the previous three years. Non-audit services provided by the Ernst & Young were 18% of audit fee in 2019, similar to 2018. Ernst & Young provides also a regulatory audit relating to the costs of regulated services rendered by the Company. That audit is commissioned by the regulator but its costs are borne by the Company. The costs of regulatory audit are also shown in the chart below.



In addition the feedback questionnaire referred to in the previous section included questions relating to the independence of the audit firm and individuals in the audit staff. There was no case of auditor's independence threat observed and reported by the respondents.

Taking into account all aspects described above the Audit Committee was satisfied that the auditor continues to be independent.

Recommendation on the appointment of the statutory auditor

The Company, similarly as the Orange SA Group, last undertook a formal tender process for statutory audit services in 2014. The tender process for the Company was separate from the tender process for the Orange SA Group. Based on the tender, Ernst & Young was selected as an auditor of the Company and independently Ernst & Young was also selected as one of two auditors of the Orange SA Group. Ernst & Young presented their first audit report of the Orange Polska Group for the year ended 31 December 2015.

In 2017, based on the Polish Audit Act and Audit Regulation, a new Policy on the audit firm's selection was adopted by the Supervisory Board of the Company. The Policy formalised most of the requirements which were already followed by the Company but a new requirement was the time limitation for the appointment of an auditor to 5 consecutive years (with certain exceptions). The year 2019 was the fifth year of Ernst & Young acting as the statutory auditor of the Company. Ernst & Young was eligible to be reappointed for another year only in exceptional circumstances based upon consent of the Financial Supervisory Authority ("KNF").

In 2019, the Company launched the tenders for statutory audit service for 2020 (if Ernst & Young turned out to have submitted the best offer) or 2020-2021 (if another company have submitted the best offer as it is not possible to appoint a new auditor for less than two years) and also for the following five year period. The Audit Committee Chairman monitored the process of the audit firm's selection and actively participated in this process. The offer of Ernst & Young was assessed to be the best based on a high quality audit team, the knowledge of the Polish telecom market and also the knowledge of the Orange Polska Group. Therefore, the Company applied to the Financial Supervisory Authority for its consent for Ernst & Young being reappointed for another year explaining its special situation in the year 2020 being, among others, the last year of implementation of its long term strategic plan and number and

diversity of lease contracts to be assessed in response to the December decision of IFRIC. In January 2020, the Financial Supervisory Authority issued its consent and the Audit Committee recommended to the Supervisory Board the reappointment of Ernst & Young as the statutory auditor for 2020. [The Supervisory Board followed the recommendation of the Audit Committee.]

Significant issues considered by the Audit Committee in relation to the financial statements and how these were addressed

In relation to the group's financial statements, the Audit Committee reviewed the following principal areas of judgement:

- 1) The Group's key judgments and estimates related to significant one-off transactions such as:
 - a) Accounting treatment of acquisition of Blue Soft and Essembli entities operating in the IT services business. The Audit Committee focused on the valuation of the goodwill and treatment of post-transaction services which required deep knowledge of the transaction itself and understanding of the business of the acquired entities;
 - b) Accounting treatment of sale transactions of real estate in Warsaw. The Audit Committee focused mainly on assessment of the moment of recognition of gain on sale and valuation of the gain on sale. As some of the real estate was partially leased back, the Committee assessed the accounting approach to the lease back and its impact on the valuation of the gain;
 - c) Accounting treatment of an agreement under which OPL sells selected receivables arising from sales of mobile handsets in instalments. The Audit Committee focused on the assessment of the assets derecognition criteria and valuation of receivables;
 - d) Accounting treatment of a social agreement concluded with Trade Unions and its impact on OPL's financial statements. The Audit Committee focused on valuation of the impact of this agreement on provision for employees termination and employee-related payables and actuarial provisions;
- 2) New accounting standard IFRS 16 with a particular focus on:
 - a) Identification of lease contracts
 - b) Assessment of lease period
 - c) Other assumptions used in lease assets and lease liability valuation including discount rate
 - d) The Audit Committee also focused on the interpretations of IFRS 16 published in 2019 related to treatment of subsurface contracts, discount rate and lease period and their impact on OPL's financial statements, including disclosures
- 3) Management's assessment of risks related to claims and litigation as well as other matters and the level of related provisions or decisions on the lack of provisions;
- 4) Impairment indicators and impairment test prepared by Management as well as goodwill recognition and deferred tax recoverability;
- 5) Management's assessment of the length of the economic useful life of assets;
- 6) Disclosures in the Financial Statements and Management Report relating to new matters
- 7) Distributable capital calculation.

Internal control

Management implements internal controls at various levels of the organisation. The scope of these controls includes, but is not limited to, transactional level controls, line managers' or corporate reviews, trend analysis, reconciliation controls and 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 Company 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, the internal control system is monitored in a self-assessment tool implemented by the Company and, in addition, 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, and the results are reported to the Audit Committee.

The Audit Committee received reports from Management on the internal control system, and monitored the appropriateness of the "control culture" as well as the way risks were identified, managed and disclosed. The Committee also reviewed reports from Management on implementation of actions in response to comments on internal controls from the internal and external auditors. In addition, the Audit Committee received assurance from management after completion of a yearly comprehensive assessment of Orange Polska Group's internal controls over financial reporting. All deficiencies identified were corrected or appropriate action points have been adopted. Management concluded that there were no weaknesses that would materially impact internal control over financial reporting in the year ended 31 December 2019.

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.

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 at 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, insurance, tax and review of the exposure of the Company resulting from the implementation of the General Data Protection Regulation. Also the Committee issued opinions on other matters referred to the Committee by the Supervisory Board and/or the Management Board including financing and granting bank guarantees to OPL's subsidiaries.