

REPORT
on the 2016 activities of
the Audit Committee
of the Orange Polska S.A. Supervisory Board

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

The principal tasks of the AC are to advise the Supervisory Board on proper implementation of budgetary and financial reporting and internal control (including risk management) principles in Orange Polska S.A. (the “Company”, “OPL”) and Orange Polska Group (the “Group”), and to liaise with its auditors.

Composition

In 2016, the AC was composed of the following persons:

Chairman: Mr. Russ Houlden (“Independent Director”)

Members: until 30 June 2016 Ms. Marie-Christine Lambert
from 13 July 2016 Mr. Federico Colom Artola
Dr. Maria Pasło-Wiśniewska (“Independent Director”)
Mr. Marc Ricau

The Secretary of the AC was Ms. Jolanta Tropaczyńska. During her maternity leave from 1 April to 2 November 2016 Mr. Tadeusz Kurdziel was acting as the Secretary of the AC.

Chief Executive Officer (Mr. Bruno Duthoit until 30 April 2016 and Mr. Jean-François Fallacher from 1 May 2016) and Chief Financial Officer (Mr. Maciej Nowohoński), as well as Internal Audit Director (Mr. Jacek Chaber) attended all meetings of the AC. Other members of the Management Board, Executive Directors and other managers and invited guests attended the meetings when appropriate. The AC meetings were also attended, when appropriate, by representatives of the Company’s external auditor, Ernst & Young.

Functions 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) monitoring the independence and objectivity of the Company’s external auditors, the nature and scope of the audit and monitoring the auditors’ work.

Activity in 2016

The Audit Committee held 7 regular meetings in 2016. The AC performed in particular the following activities:

- 1) Review of the Group's 2017 budget and addressing recommendations on it to the Supervisory Board;
- 2) Review of the Company's and Group's quarterly and annual financial statements, review of the accounting policies and approaches, and in particular quarterly consideration of all accounting issues, one-offs, estimates and judgments, e.g.:
 - a) Impairment of assets including goodwill. The Audit Committee reviewed the key assumptions used to determine recoverable amounts such as cash flow projections, discount rates, growth rate to perpetuity as well as periodically assessing whether changes in any of the key assumptions suggest the need to request the impairment test.
 - b) Revenue recognition. The Audit Committee reviewed the accounting approach to significant one-off transactions or new streams of revenue in the current period or anticipated for next periods, including judgements made in allocation of revenue between each separable component of a multiple-element arrangement and recognition of revenue on a net versus gross basis as well as of the application of the IFRS revenue recognition rules; particular attention was paid to those aspects where judgment is required.
 - c) Useful lives of tangible and intangible assets and their valuation. The Audit Committee reviewed assumptions used to determine useful lives of fixed assets and the method of depreciation and amortisation as well as the valuation methodology.
 - d) Provisions for legal, tax and regulatory cases, dismantling provisions and actuarial provisions.
 - e) Fair value of derivatives and other financial instruments. The Audit Committee reviewed assumptions underlying the measurement of fair values of derivatives and other financial instruments.
 - f) Deferred tax. The Audit Committee reviewed assumptions underlying the recognition and measurement of deferred tax assets.
 - g) Changes in accounting standards. The Audit Committee reviewed the impact of the new accounting regulations on OPL's accounts.

After appropriate challenge and, where appropriate, adjustment the Audit Committee concurred with the Management Board's conclusions.

- 3) Review of the improvement of non-GAAP measures disclosure in line with ESMA guidelines effective from 3 July 2016;
- 4) Review of reserves available for distribution as dividends and their reconciliation to retained earnings;
- 5) Monitoring the accounting standards evolution and expected relevant changes in the legislation including review of the progress of Management's implementation of IFRS 15 (Revenue) and preparation for the implementation of IFRS 16 (Leasing) and IFRS 9 (Financial Instruments);
- 6) Review of the prior year performance of the external auditor and recommending to the Supervisory Board on the selection of the external auditor, its remuneration and terms of engagement. In accordance with the Code of the Best Practices for companies listed on the Warsaw Stock Exchange, the Audit Committee recommended to the Supervisory Board the appointment of Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością

Spółka komandytowa to the audit of the Company and the Group for the financial year 2016 and to review half-yearly financial statements for the period of six months ended June 30, 2016.;

- 7) Review of the scope and the results of the external audit, independence and objectivity (including scepticism) of the auditors and reporting its conclusions to the Supervisory Board. All non-audit services provided by external auditors were approved in advance by the Chairman of the Audit Committee. In addition, the Audit Committee reviewed the external auditors' proposed audit plan for the financial year 2016, including the materiality level set for audit testing, in the light of the Group's present circumstances and changes in accounting and auditing standards. The Committee has also monitored the Company's responsiveness to the recommendations from the external auditor made in its management letter. In addition, the Committee met privately with the lead partner of the statutory audit firm;
- 8) Review of the Group's system of internal control and risk management as reported by the Management Board and, in particular, whether the Management Board sets the appropriate "control culture" and the way risks were identified, managed and disclosed by the Management. The Audit Committee received reports from Management on action plans in response to comments on internal controls from the internal and external auditors;
- 9) Review of the annual plan of Internal Audit, its budget and progress reports, as well as monitoring the responsiveness of management to Internal Audit findings and recommendations. In addition, the Committee met privately with the Director of the Group's Internal Audit and reviewed the independence of Internal Audit. The Committee was also provided with an annual follow-up report confirming the 2016-2019 certification of Internal Audit activities by Institut Français de l'Audit et du Contrôle Interne (IFACI);
- 10) Review of the Company's compliance system in the following areas: overall compliance with laws and regulations; ethics, anti-fraud; security; anti-corruption. The Committee monitored the operations of the Group's Ethics Committee and of the Group's Compliance office, as well as the results of investigations initiated by whistle-blowing;
- 11) Review of and opinions on significant transactions with related parties as defined by the corporate rules, in particular regarding the financing arrangements with the Orange Group (and the operation thereof); in line with internal regulations and best practices of corporate governance, the independent members of the Committee played the leading role in these considerations;
- 12) Issuing opinions on other matters referred to the Committee by the Supervisory Board and/or the Management Board;
- 13) Review of other matters of interest to the Committee, including but not limited to revenue assurance, hedging and insurance, preparation for implementation of new integrated reporting, due diligence process of the evaluation of the Company's contracting counterparties and other;
- 14) The Audit Committee complied with the *Recommendations on the work of the Audit Committee* issued in November 2010 by the Office of the Financial Supervision Authority in Poland.

Russ Houlden
Chairman of the Audit Committee of the Supervisory Board