



**Orange Polska
Integrated Report 2018**



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Introduction

Message from CEO



Dear All,

Welcome to our annual report, the third in which Orange Polska's results are presented on an integrated basis. By combining the financial and non-financial aspects of our business, we aim 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, while building a more sustainable business at the same time. We demonstrate that we can create value not only in financial terms, but also in other forms like trust, reputation, job satisfaction, customer loyalty and good relations with local communities.

Over the past few years, integrated thinking has become more and more a part of 'business as usual' at Orange Polska, This 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 society,
- 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, increases our transparency and that truly reflects the way we work.

I'm proud to say that our efforts have been recognized: last year's report received awards from the Responsible Business Forum, the Warsaw Stock Exchange and the Institute of Accountancy and Taxes.

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

Jean-François Fallacher
President and CEO of Orange Polska

About the report

Our approach to reporting

Orange Polska is pleased to present its third integrated annual report. 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.

In order to provide complete and comprehensible scope of information, we engage our Management and Supervisory Board members into a dialogue during the process of collecting information and drafting the report.

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 2018. 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 and refers to the Sustainable Development Goals.

Our last year's Integrated Report received the award for the Best Integrated Report for 2017 in the 12th edition of the Social Reports Competition. The award was given for 'presenting the approach to management and business in a way that integrates the financial prospect and ESG (Environment, Social, Governance), comprehensive display of risks, a reliable, accurate and trustworthy report, showing both the strengths and weaknesses of the organization, subject to external verification.' In addition, the Company received a special award from the Warsaw Stock Exchange for maintaining high standards of non-financial reporting and contributing to the credibility of listed companies among investors. The Social Reports Competition is organized by the Responsible Business Forum and Deloitte. The partners include: The Ministry of Finance, The Ministry of Investment and Development, The Association of Stock Exchange Issuers, The Consumer Federation, The Warsaw Stock Exchange and The National Chamber of Statutory Auditors. The Integrated Report Orange Polska 2017 was also awarded in the contest 'The Best Annual Report 2017' organized by the Institute of Accountancy and Taxes, for the highest use value.





**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.

2020 ambitions

- #1 convergence
- #1 in customer experience
- #1 digital telco
- #1 very high-speed broadband

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 Polska vision:

Loved by customers
Preferred by employees
Valued by shareholders

Let's win customers' loyalty!

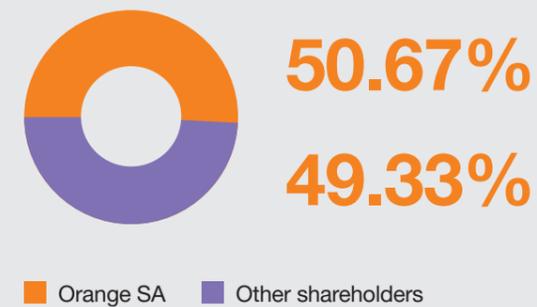
We aim to provide best in class connectivity and convergent digital services to the people of Poland thanks to our unique combination of high-speed broadband fixed and mobile networks, our wide geographic presence, our skilled and customer-focused employees and the values of our Orange brand. We want 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 values:

 Helpful obsessed with customers	 Simple simplification, focus, speed and agility	 Honest trusting each other, honest and straightforward
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Orange Polska in 2018 in numbers

Shareholder structure



2.25 bn PLN
Capital expenditures

6.9 bn PLN at year end
Market cap

(under IAS 18 accounting standard)

11.3 bn PLN
Revenues

3.1 bn PLN
Adjusted EBITDA

27.5%
Adjusted EBITDA margin

3,465
No of volunteers among employees

872,636 Children involved in the safety internet initiatives

3,654 Educational institutions ran social programmes supported by Orange Polska

3%
Reduction in energy consumption

13,545*
No of employees
*full time equivalents, including NetWorkSI

Convergent customers	Mobile accesses (SIM cards)	Fixed broadband access (retail)	TV customers	Fixed voice lines (retail)
1,547,000 (+18.5% yoy)	14,805,000 (+2.6% yoy)	2,560,000 (+5.0% yoy)	943,000 (+11.2% yoy)	3,407,000 (-7.5% yoy)
B2C 1,236,000 (+19.4% yoy)	post-paid 9,922,000 (+2.0% yoy)	Fibre 366,000 (+71.0% yoy)		
B2B 311,000 (+14.8% yoy)	pre-paid 4,883,000 (+3.9% yoy)	VDSL 503,000 (+7.7% yoy)		

Our stakeholders

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.



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



**Business
model
and value
creation**

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.



External environment (Regulatory, Economic, Telecom market, Supply Chain, Social, Environmental)

Key resources

- Natural**
- Spectrum
 - Energy

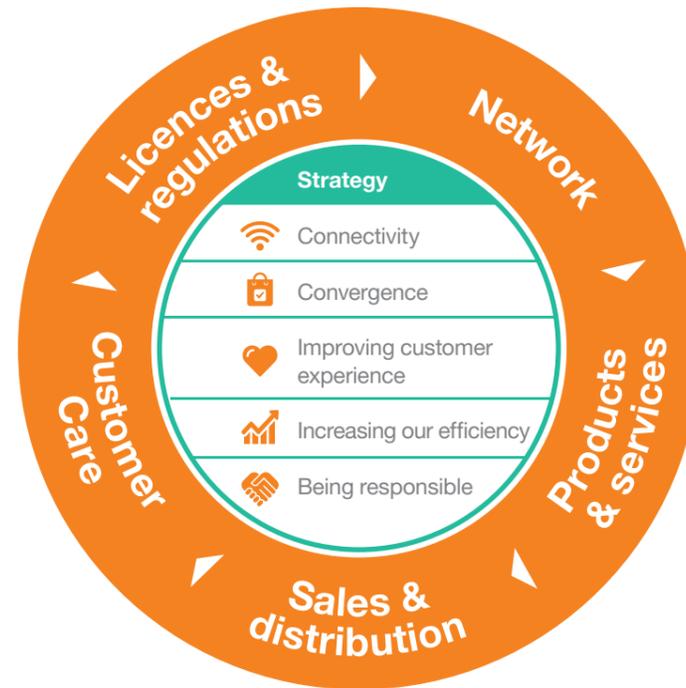
- Manufactured**
- Network infrastructure
 - Software
 - Points of Sale

- Human & intellectual**
- Employees
 - Innovation
 - Knowledge about customers and market

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

- Financial**
- Debt
 - Equity

Business model



Outputs

- Unmatched data connectivity for households and businesses**
- Providing best connectivity
 - Delivering a palette of services adjusted to customer needs

- Effortless and friendly customer experience**
- Optimal sales channel mix
 - Making customer journey easy and friendly

- Acting in an effective and responsible manner**
- Focus on efficiency
 - Management of the impact on the environment
 - Impact on society
 - Being digital and caring employer

Outcomes

- Value creation for all stakeholders**

- Performance measures – KPIs**

Risk management

Internal environment (Corporate governance, Corporate culture)



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. In February 2018, the Brand Finance ranking valued the Orange brand at \$22.2 billion, making it the 51st most valuable brand in the world, first in France and eighth most valuable telco brand globally. The Orange brand is our consistent asset across all countries, and one of most valuable. It is also instrumental in demonstrating that we are a digital, efficient and responsible company.

Wherever we are, our brand is first and foremost a human brand, helping us stay close to our customers, in touch with their needs whether they are a multinational company or teenager with their first phone.

Since the beginning, we have been optimistic about technology, while making it accessible to as many people as possible. That's why our role 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 Orange brand supports our philosophy and brings our role to life through powerful brand experiences that create positive impact.

...and leading in Poland

This approach has changed the way consumers experience our brand through customer care and sales channels. According to external market research conducted in December 2018 (by IQS Agency), Orange was the first choice brand for Polish consumers with respect to Mobile voice (30%), Mobile broadband (20%), Fixed broadband (25%), Packages (24%) and Fibre (24%). It has also brought us high communication awareness for mobile market 52%.

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 3,670 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 and intellectual

- Employees
- Innovation
- Knowledge about customers and market



Social and 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 10 MHz spectrum in 800 MHz band (the maximum that was allowed) and 15 MHz spectrum in 2600 MHz band.

In order to continue to assure the best customer experience we need to continuously optimise our effective use of spectrum. Taking into account growth of LTE data traffic and lower needs for 3G and 2G services, we decided to start the process of spectrum re-farming to newer technologies, with focus on 4G layer extension. As for today we have already finished re-farming of 900 MHz band from 2G to 3G, allocating twice more spectrum resources to 3G technology, while only small part of the bandwidth is currently dedicated to 2G services. We still continue re-farming of 1800 MHz and 2100 MHz to 4G. Currently 44% of LTE 1800 sites are working in the model of sharing infrastructure (MORAN). In case of band 2100 MHz, changes in 11 agglomerations have been made already. As a result of all changes the amount of spectrum dedicated to LTE/4G network capacity will increase by 38%. Re-farming also means that we are changing the model of cooperation with T-Mobile regarding

900 MHz and 1800 MHz bands from the one based on co-usage of spectrum (MOCN) to the one based on sharing infrastructure (MORAN). This means we do not share frequencies anymore, but thanks to optimization of all frequency resources, we can offer more capacity to our customers.

Future development of 5G services will require the acquisition of necessary frequency resources. It is assumed that three bands will be used for 5G network: 3.4–3.8 GHz, 700 MHz and 26 GHz. None of the above bands is available today. 3.4–3.8 GHz bands are partially allocated but very fragmented. As a result, frequency allocation process has to be preceded by comprehensive rearrangement of this spectrum, both activities are in the responsibility of the market Regulator and the government. We estimate that band 3.6–3.8 GHz will be available as first. According to the plan published by the President of UKE the formal preparations will start in May 2019. At first UKE will initiate proceedings regarding refusals to extend the reservation periods for the current users of this frequency band. The allocation procedure is likely to start in 2020, and the reservation decisions should be issued by mid-2020. 700 MHz band is currently in use by TV broadcasters and is required to be available by 30th of June 2022. However, the availability of this part of spectrum also depends on international arrangements. 26 GHz band can also be available after some rearrangements, it can be expected that allocation of that part of spectrum will be no earlier than in 2020. The allocation processes for 3.4 – 3.6 GHz band may take place in the year 2022 or later.

Current distribution of frequencies for the 700–2600 MHz bands and 3400–3800 GHz bands



* Licence for CPS Group to use this block expired at the end of 2018

Details of telecommunications licences

(in PLN millions)	Acquisition date	Years to expiration ⁽²⁾	Net book value	
			At 31 December 2018	At 31 December 2017
800 MHz	2016	12.1	2,471	2,676
900 MHz	2014	10.5	252	276
900 MHz ⁽¹⁾	2013	-	-	7
900 MHz ⁽¹⁾	2018	2.0	24	-
1800 MHz ⁽¹⁾	2013	9.0	143	159
1800 MHz	1997	8.6	-	-
2100 MHz	2000	4.0	384	479
2600 MHz	2016	12.1	95	103
Total telecommunications licences			3,369	3,700

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

⁽²⁾ Remaining useful life in years as at 31 December 2018.



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, as well as the increasing popularity of cloud services, high-resolution videos, games and streaming platforms. In addition, our customers increasingly expect secure access to the digital world, with optimal quality and speed, at home, at work and on the move, regardless of technology and device (laptop, tablet, smartphone, TV). We believe that network reach and connectivity is one of the key criteria when choosing a telecom service provider.

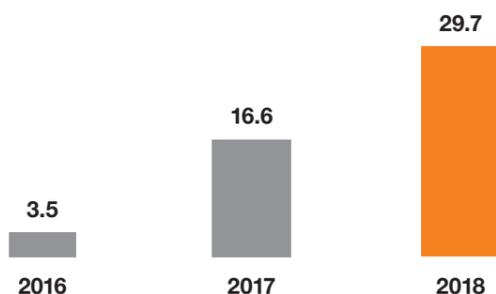
To fulfil these needs, our network has to be widely accessible, reliable and safe. We operate by far the largest convergent network infrastructure (combined fixed and mobile networks) in the Polish market. That means we can ensure the best network connectivity.

The largest network infrastructure in Poland

As the former incumbent operator, we have the largest network infrastructure in Poland, supporting both fixed and mobile services. It includes around 15,400 km of fibre in backbone, 91,300 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 29,700 km at the moment, although it is growing rapidly in line with our intensive fibre investment plans.

Fibre is also increasingly used to connect our mobile base stations, on one hand to boost capacity to accommodate growing data consumption and on the other hand to ensure greater reliability of the network. At the end of 2018, about 56% of our mobile base stations were connected to the backbone through fibre. Mobile and fixed networks share not only cable infrastructure but also higher network layers like core, control and service platforms. We will gradually transition our network to be fully IP-based in the years ahead, which will require the elimination of certain network elements (e.g. PSTN stacks).

Length of fibre access network (in '000 km)



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 populous areas, copper-based technologies, supplemented by mobile ones, are the primary broadband access solution. We also roll out our fibre network in smaller towns and in suburban areas on a selective basis. Such a strategy stems from the very individual demand for fibre services in local markets. We are increasingly expanding our fibre network into single-family housing districts, though apartment buildings are still the primary target for our investments.

In the fixed network, we are continuing with an intensive rollout of fibre in line with our medium-term action plan. At the end of 2018, our fibre access network covered almost 3.4 million households in 117 cities and towns. The rate of deployment remains both high and steady, at 0.9 million households and businesses annually.

Over the coming years 5G technology will gain in importance. In 2017, the '5G for Poland' agreement was signed under the aegis of the Minister of Digital Affairs, with Orange Polska as one of its signatories. The Company has been actively involved in the work of various task forces established pursuant to the Agreement. In January 2018, the Ministry of Digital Affairs released a draft '5G for Poland' strategy for public consultation. Based on the outcome of that consultation, a new version of the document is now being prepared. It will set out the tasks and objectives of the public administration with respect to 5G implementation in Poland. The Draft Strategy provides for amending a number of regulations to facilitate quick and efficient deployment of the 5G network. Simultaneously, an update of the National Broadband Plan is being prepared, and its draft incorporates a number of provisions from the draft Strategy. Furthermore, a legislative process to amend the Telecommunication Law was completed in March 2019, addressing radio frequencies management as well as amendments to the telecommunications 'Mega-Act' with respect to, inter alia, elimination of red tape for wireless networks.

It is our ambition to actively participate in the implementation of Poland's 5G network in order to provide our customers with access to this network and modern services based on it. We have continued our preparations for 5G launch. The on-going intensive rollout of our fibre network is a precondition for the efficient operation of the future 5G mobile network. In September and December 2018, we became the first mobile operator in Poland to conduct two-phase tests of the new technology using a base station in Gliwice. The station used a 100 MHz channel from the 3400–3600 MHz band and operated in the Non-Stand Alone (NSA) mode, in which the 4G network is used for connection but data transfer takes place via the 5G network. In 2019, we plan further tests of 5G technology (according to the latest standards) and its practical uses, with equipment provided by various suppliers.

Network reliability and resilience requires the constant upgrade of self-healing network mechanisms and continuous 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, thus ensuring the same connectivity experience,

whether customers use our mobile or fixed networks.

The significant increase in security incidents in the on-line economy has led to growing customer interest in cybersecurity services. Therefore, we have 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.

On March 26th 2019, the European Commission recommended a set of legislative and policy instruments to assess cybersecurity risk of 5G networks. By the end of June 2019 national risk assessment of 5G network infrastructures should be prepared. On this basis, Member States should update existing security requirements for network providers and include conditions for ensuring the security of public networks, especially when granting rights of use for radio frequencies in 5G bands. The national risk assessments and measures should consider various risk factors, such as technical risks and risks linked to the behaviour of suppliers or operators, including those from third countries.

Then, on the basis of information obtained from all Member States and on their own analyses, the Commission together with ENISA will prepare by October 1st, 2019 a comprehensive report that identifies all risks on the security of the European digital sector, in particular the 5G network.

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 investments by using third party infrastructure and benefiting from EU funds for network construction.

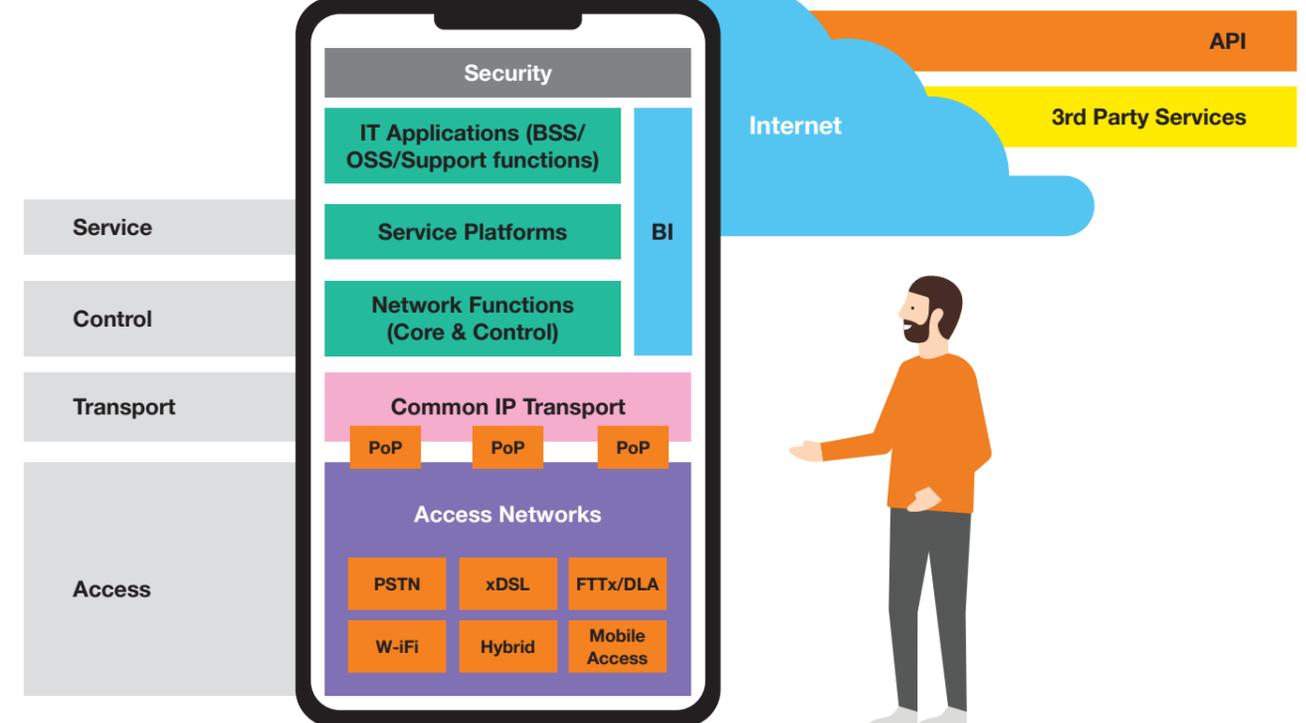
On the mobile side, we cooperated with T-Mobile to set up NetWorkSI, a company responsible for network construction and operation. We share sites infrastructure (over 10,000 shared sites), which enabled the fast introduction of 4G and optimisation of operating costs and capital expenditures.

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 2018, we signed further such agreements, which extended coverage of our VHBB services by over 365,000 households.

We participate in the national Operational Programme 'Digital Poland' (POPC). Between 2014 and 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 densely populated 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, in which about 2,900 schools will also be connected. 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 digitalisation 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 by introducing the Orange Love convergent offer and making it the key commercial formula in the Orange.one strategy. We also develop adjacent services that complete our basic telecom product portfolio for a household, like 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 heterogeneous: households are divided fairly equally between big cities, small towns 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. We diversify our sales approach to match local expectations and needs as well as customer purchase history. This allows us to reach them with an appropriate offer, through an appropriate sales channel. In sales outlets we meet with customers who need assistance in choosing the right offer; for time-sensitive customers we offer telesales; and those preferring to make decisions based on the complete information set and extensive price comparisons can choose online purchases. Such an approach allows us to adapt to customer expectations, better recognise the potential of local markets and more effectively adjust our network investments to local demand.

Digitalisation and cross-channel

When it comes to getting the right mix of sales channels, our strategy is driven mainly by evolving customer purchasing preferences and the need for internal efficiency. We carefully monitor cost-to-revenue ratios. One obvious trend is the growing importance of online sales. On our website, we continue to enhance personalisation: customers are presented with dedicated content depending on their actions and the services they use. We also create a positive user experience across all customer touchpoints with innovative customer communication tools, such as:

- Bot-messenger – enables our customers to communicate in a near-natural language via applications such as Facebook Messenger;
- Virtual Outlet – enables our customers to communicate via video chat with a consultant in an outlet from any place with Internet access.

In 2018, the number of active users of the My Orange application increased 12%, and we added several options, such as one-click payment with a credit card or BLIK, authentication with a fingerprint or face ID (face recognition) and pre-paid top-ups after code scanning. Moreover, with the new one-click process, customers can extend their agreement without leaving the app.

Customers demand the same quality of 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, traditional points of sale are not losing their importance. POSs accounted for nearly half of total sales in 2018, and we expect a similar ratio in the coming years.

Increasingly, we see customers hopping between these channels: they may start a transaction online but finalise it in a shop, or vice versa.

In 2018, we defined a new outlet development strategy for 2018–2020 and launched the Best Retail Network project. Our ambition is for Orange outlets to become the best retail network in Poland by the end of 2021. By that time, we intend to refurbish all our stores. As one of the key pillars of our strategy, we have divided our outlets into three categories:

- Smart Stores – the largest modern flagship showrooms located in Poland's biggest cities and divided into three main zones: home, business and entertainment;
- Standard – large outlets in big cities, mostly operated by Orange Polska; in refurbished Standard outlets we implement some solutions from Smart Stores (a rich offer of live demos and a wide range of accessories);
- Compact – small outlets in medium to small towns, operated by agents; they complement the other two formats.



Customer care

Delivering exceptional customer care across all channels of communication with Orange remains one of our key priorities, and we continue to improve and strengthen this area. We have aligned our approach to customer relationship management with the proven customer journey methodology. In line with this approach, we review all our actions in terms of their impact on the overall customer experience. We want this experience to be a key differentiator, marking us out as the best on the market, as well as uniform and consistent across all touchpoints.

Mix of friendly contact channels

We provide a cost-effective mix of top quality communication channels, adapted to customer needs and expectations.

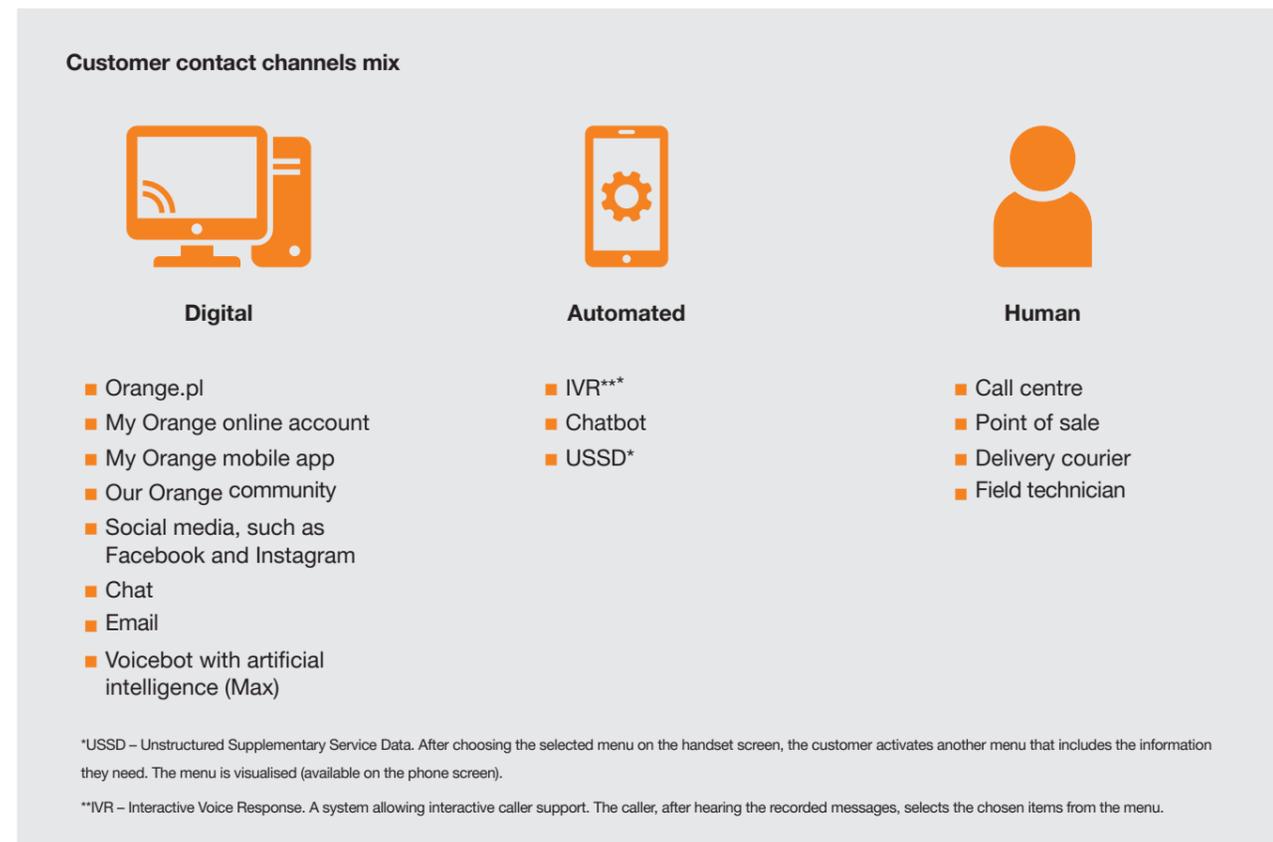
We are the only telecom provider in Poland to hold the prestigious international COPC (Customer Operations Performance Center) certificate. It attests to the highest quality in customer

care management. We have implemented the COPC standard, particularly with regard to efficiency monitoring, quality and employee recruitment & development, in all our contact centres (which numbered 22 at the end of 2018).

Orange Polska's customers frequently choose newer channels, like social media platforms or mobile apps, for communication.

- Over 1.5 million customers use the 'My Orange' mobile app (vs. 1.2 million in 2017). They can quickly and easily check their credit balance, activate or deactivate services, review details of fees and charges or pay invoices.
- Our customers held almost 920,000 conversations with consultants through chat in 2018 (compared to almost 800,000 in 2017).
- Over 75% of our customers already use e-invoices, which confirms that customer contacts can go digital.

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



Customised service

Our customers responded positively to the service approach we implemented in 2016, tailored to their lifestyles and needs. We continued this in 2018 and will maintain it in the coming years. More than 8 out of 10 issues reported by residential customers were resolved within 48 hours. Customised service allows us to offer our customers the right approach for them:

- Senior citizens (over 65): Orange Polska is the sole telecommunications company in Poland to hold the 'OK Senior' certificate (renewed in 2018) for our dedicated infoline.

- 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.
- Customer service in our sales outlets is carried out according to proven standards, which enables us to resolve almost 9 out of 10 customer issues straight away.

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 - 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, 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.
- 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.
- In the course of works on the European Electronic Communications Code, it was postulated to regulate international calls. The relevant Regulation, which came into force on December 20, 2018, provides that starting from May 15, 2019, international rates within the European Union should not exceed EUR 0.19 per minute for calls and EUR 0.06 per SMS message. The regulation applies to consumers only and will remain in force for five years.

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).

In particular, the Office of Electronic Communications (UKE) has issued decisions that will ensure symmetrical access to cable ducts operated by the largest infrastructure owners. The relevant regulatory obligations have been imposed not only on telecom operators, but also on the biggest cable TV operators. Furthermore, UKE is working on regulations on access to indoor cables; these would cover the biggest CATV operators as well.

In the beginning of 2019, UKE published draft decisions which would lift regulatory obligations from Orange Polska in the markets for wholesale broadband access (BSA) and access to the local loop (LLU). After final decisions are issued, a total of 151 communes (namely 67 deregulated in 2014 plus 84 additional ones) will be deregulated in the BSA market, and 51 communes will be deregulated in the LLU market.

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 significant 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 2018 and according to economic forecasts growth should be maintained in the years ahead.

GDP Growth

In 2018, the Polish economy grew at a considerably faster pace than in 2017. According to the initial estimation by the Central Statistical Office Real GDP grew by 5.1%. The positive economic conditions resulted mainly from acceleration of investment growth supported by still strong growth in private consumption. These growth engines will face difficult challenges in subsequent years, mainly due to labour shortages and wage pressure. In 2018, household consumption expenditure remained under 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. In March 2019 the Fitch Ratings upgraded its real GDP growth forecast for Poland to 4.0% for 2019 from the 3.8% given in December 2018 and to 3.5% for 2020 from the 3.0% previously due to the impact of the fiscal stimulus package announced by the ruling Law and Justice (PiS)-led coalition.

Inflation

Average annual CPI reached 1.6% in 2018, which was below the inflation target (2.5%). However, a significant increase in inflationary pressure is expected in the next few years, mainly due to a rise in electricity prices and an economic downturn worldwide. 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 2018, 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. However, 2018 saw price stabilisation in the telecom sector and operators began to focus more on customer base retention rather than aggressive acquisition of customers from other service providers.

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 5.8% (-0.8 pp. year-on-year) at the end of 2018. At the same time, an increase in wages in the enterprise sector was reported (+7.1% year-on-year in nominal terms). A further decline in unemployment may be expected in 2019. 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

Once again, 2018 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 2019, while taking steps to prepare the market for increases in 2020. 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 2018, Polish zloty lost 3.0% against the Euro and 8.1% against the US dollar. The Polish currency fluctuations were caused mainly by external factors. 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 mature, with high penetration in most segments. This sector is very important for the Polish economy, particularly in the digital age. Together with the IT and content industries, it shapes the information society and actively participates in the transformation of Polish companies. To meet this great responsibility, the telco industry faces many business and technical challenges that will require large investments in infrastructure, now and in the coming years, in order to provide individual, public sector and corporate customers with fast and secure internet access (both wired and wireless), as well as new services and equipment to meet new requirements.

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, the more or less equal market shares among major players and upcoming investments in 5G technology, we expect market participants to focus increasingly on value generation. This would create a more benign market environment going forward.

Polish telecom market – still declining but the trend is improving

According to our estimates, between 2013 and 2017 the total value of the telecom market was declining at a pace of around 1-4% per year. However, the downward trend has been gradually improving throughout this period, which points to more stability going forward. Our preliminary estimates suggest that the value of the market in 2018 was almost stable. The key factors that have influenced market performance over the past few years include:

- A 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.
- The negative effect on the Pay-TV market of competition from increasingly strong free digital terrestrial television. These trends have had a significant impact on Orange Polska compared to 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 shape more positive outlook

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

- We anticipate a more benign situation in 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. The basic mobile tariffs have not been modified over the past 12 months while operators encourage customers to migrate to higher price points in return for more attractive features (e.g. unlimited data transfer, music or TV content). Moreover the mobile players face upcoming investments into 5G (spectrum and network rollout) while their balance sheets have a relatively significant degree of financial leverage. 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, and we saw aggressive promotions by one of the market players at the end of 2018. Operators increasingly compete 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, driven mostly by multimedia content and social media. 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. Responding to customer expectations of the best possible, always-on internet access requires a convergent approach to connectivity. That is why development of both fixed and mobile networks is crucial.
- 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 5.2 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 acquisition of Netia by Cyfrowy Polsat Group, T-Mobile buying wholesale access to our fibre network and UPC's announcement that it is launching mobile services as an MVNO.
- Everything is going to be online and in the cloud, supporting the evolution of such services as Internet of Things, Smart Homes or Smart Cities. Marketing based on customer insights and personal data utilisation is on the rise. It is both a source of new possibilities, and a challenge for cyber security and personal data protection
- Fixed voice will further decline, but as time goes on this will have less and less impact on 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 and mobile shopping experience or customer care via 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 should be more benign going forward. Recovery in market value will be driven by expansion of fast broadband, stabilisation in mobile, and fixed voice having a lower and lower impact on the overall performance. 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 39.

Orange Polska: a key 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.

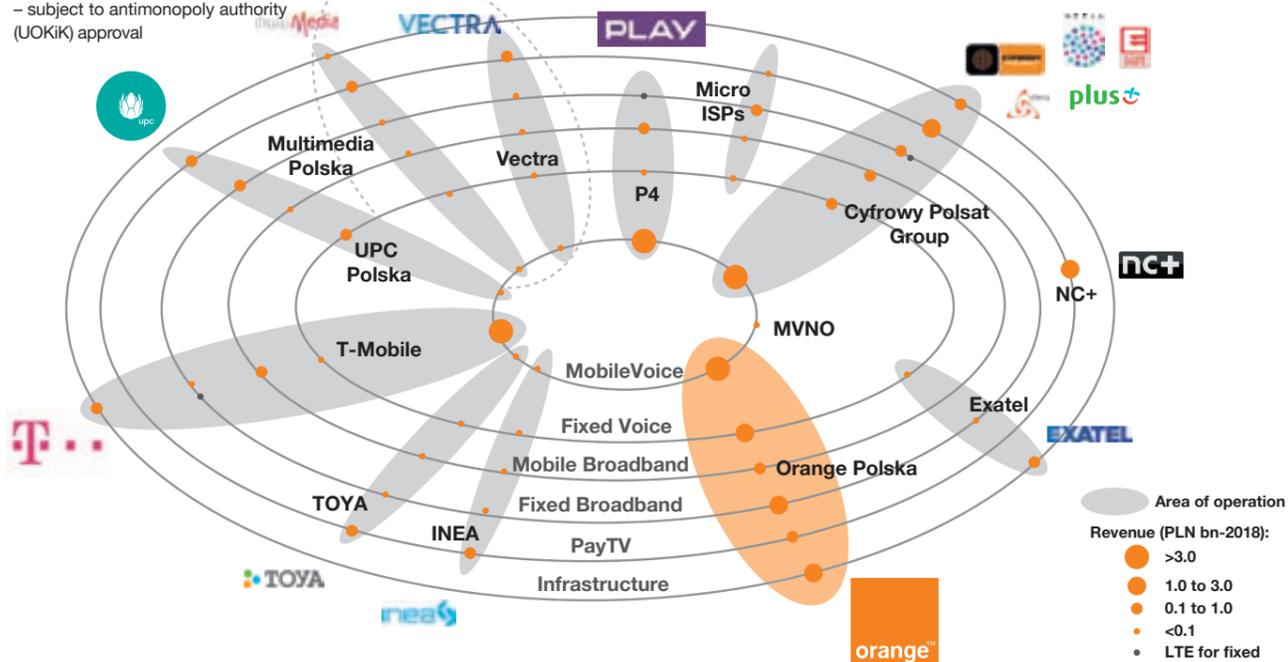
In 2018 Cyfrowy Polsat also finalised the acquisition of Netia, the largest alternative fixed operator. According to Cyfrowy Polsat, acquisition of Netia allows Cyfrowy Polsat, among others, to gain access to complementary broadband technology and to enter the new market of large Polish cities. The transaction is bringing increased competition to 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.

Consolidation on the cable market has so far been unsuccessful among the main players. In 2016-2018 UPC (the number one cable operator) tried to acquire Multimedia Polska (the number three operator). The deal failed, as reportedly UPC's owner did not manage to reach an agreement with the sellers as to the terms of the transaction. The issue at stake was the conditions imposed by the Office for Competition and Consumer Protection, which must be taken into consideration when a company disposes of part of its assets in a merger which, in the opinion of the Office, would create a player with a dominant position in the local market. Later in 2018, Vectra (the number two cable operator) announced its intention to acquire Multimedia Polska. However the transaction does not seem to be progressing smoothly, as Multimedia's owners at one point announced their intention to withdraw from the pre-agreed transaction. The pending transaction has been in the process of investigation by the Office for Competition and Consumer Protection for many months now.

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

Ongoing consolidation process - subject to antimonopoly authority (UOKiK) approval



Note: market view as of March 2019

Supply chain

We aim to build strong, long-term relationships with our suppliers. We want our relations with suppliers and business partners to be based on transparent principles and a mutual obligation to abide by ethical standards.

Supplier assessment

We take an active part in the implementation of the Orange Group's global supplier assessment programme, QREDIC. The results of the assessment are used in the process of negotiating with and selecting suppliers at the global level; for example, for subscriber devices or network equipment purchases. A supplier is disqualified if the assessment reveals definite non-compliance with ethical and environmental standards.

At the global level, Orange Group is a founding member of the Joint Audit Cooperation (JAC), an association which groups together telecommunications operators to control, evaluate and develop the implementation of CSR principles by global suppliers of the ICT sector. The initiative aims at ensuring compliance with ethical, environmental and health and safety standards, as well as a ban on child labour across common suppliers. In 2018, a total of 11,689 audits were conducted within the JAC framework, including 175 commissioned by Orange.

Local suppliers are required to sign up to a compliance clause, which is included in agreements with our company. 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, an anti-corruption clause is included in all purchase agreements.

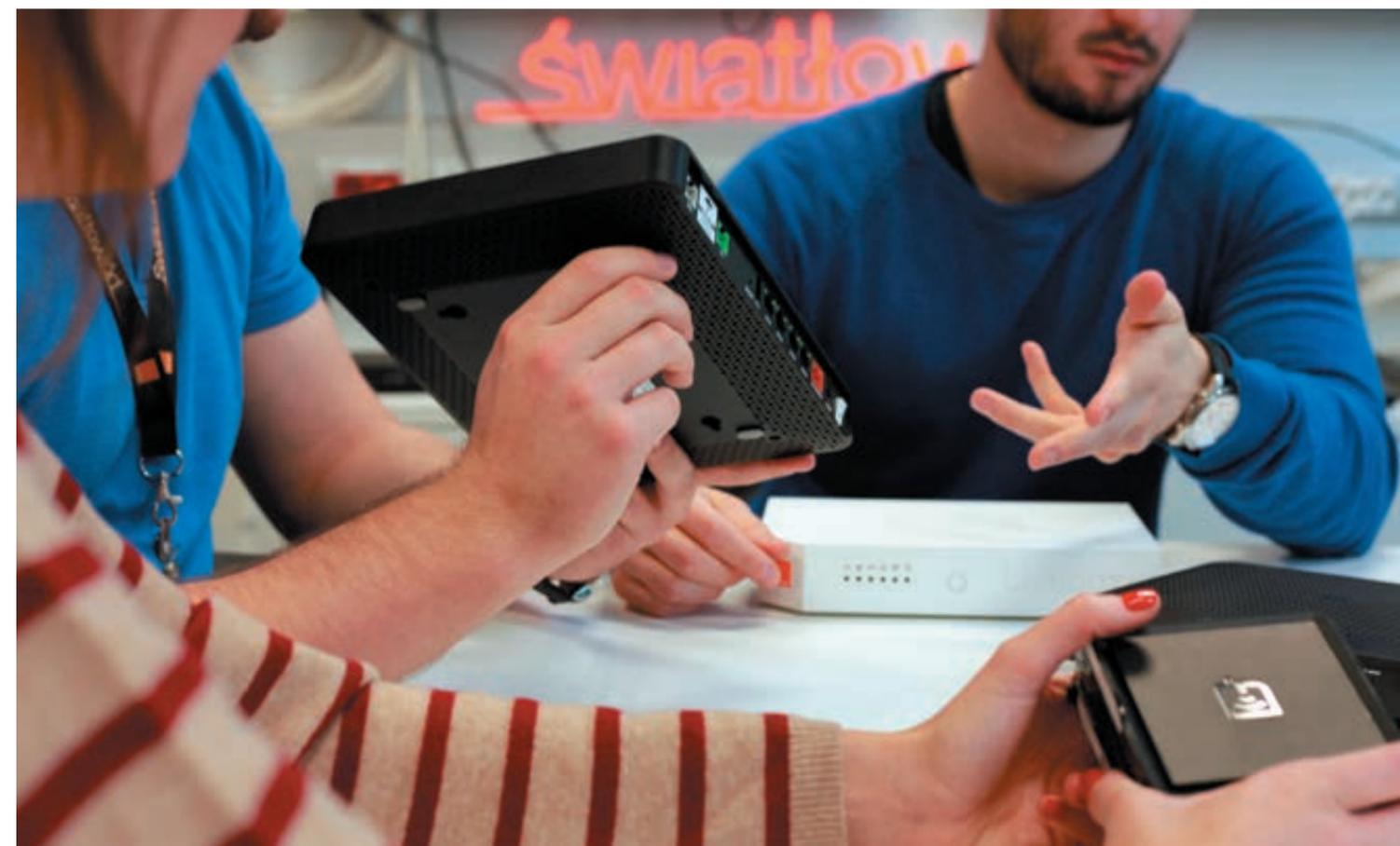
Building long-standing relations with suppliers

In 2018, we cooperated with 3,670 suppliers in Poland, including 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 cooperation. Over 98.4% of purchases (by value) are executed under long-term framework agreements. We are working towards effecting all payments to suppliers within due time. The timely payment rate is 84.7%; however, in 2018 the timely payment rate was affected by migration of processes to a new Oracle Fusion system and changes in accounting processes. The standard term of payment to suppliers is up to 30 days (96% of agreements).

Transparent supplier selection process

We follow a competitive and open procurement policy. The transparency of our supplier selection process is ensured by the Procurement Process Code, a set of rules which must 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. In 2018, 73% of buyers from the procurement department of Orange Polska completed online training dedicated to the main CSR aspects in procurement.

Currently, over 71% of orders (by volume) are placed electronically, via an online procurement tool that automatically analyses submitted offers. Moreover, suppliers who want to cooperate with Orange Polska can register to join a database of potential suppliers, allowing them to participate in the company's procurement processes.



Social

Although Poland's standard of living and employment rate have moved significantly closer to the EU average, a number of challenges remain. At the end of the third quarter, the employment rate stood at 72.8% - still lower than the EU average, although the gap is now less than one percentage point and shrinking.

The rate of unemployment has continued to fall, reaching just 5.8% in December 2018. However, Poland is still facing the problems of a rapidly ageing 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. The Gini coefficient of income inequality, which measures the distribution of (equivalised) disposable income across the society, has fallen from almost 0.36 in 2005 to less than 0.30 at the end of 2017, thus moving Poland significantly below the EU28 average. Although this metric has decreased steadily across the last decade, it has gained new momentum in the last two years, as the government has introduced new social transfers and favourable labour regulations.

The increase in the minimum wage, changes in civil contracts and – above all – a huge programme of new social benefits for families (PLN 500 monthly allowance per second and each subsequent child, extended to the first child in case of indigent families, PLN 300 yearly allowance for school starter kits) has radically improved the situation of many vulnerable groups, particularly those of lower social and economic status.

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), 84.2% of

Polish households had access to the internet (and 79.3% had a broadband connection) in 2018. According to the GUS survey "Information Society in Poland in 2018", the key barriers to broader internet use are lack of motivation (65.7% of non-users) and lack of the relevant skills (51.3%) – although the share of non-users giving these reasons is decreasing. About 17% of households say that for them, the barrier to internet access is financial, while technical provision at the place of residence is almost never an issue. On the other hand, we have observed an interesting new trend: a growing share of people deliberately eschewing the internet, and expressing their aversion to the medium as a main reason for not being connected. This group has grown from 7.3% of non-users in 2015 to almost 12% in 2018.

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

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 we try to ensure that each customer, regardless of their income, 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.

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.

In 2018, we implemented a Supplier Code of Conduct at Orange Polska. The Code has been developed at the Orange Group level and adapted to national laws and regulations. It seeks to encourage compliance with and respect these laws and regulations, and ensure that they are faithfully and effectively enforced. Suppliers are required to respect human rights and avoid being complicit in human rights abuses of any kind.

The Code covers the following areas:

- social responsibility: freedom of association and the right to collective bargaining, forced labour, child labour, diversity and non-discrimination, remuneration, working hours and health and safety;
- environmental responsibility: environmental protection, natural resources and waste management; and
- prohibited business practices: anti-corruption policy, competition, sponsorship, political contributions, money laundering, data security and data protection.

The Code has been published and incorporated into our contracts with suppliers.

We are currently working on a human rights policy specific to Orange Polska. In 2018, together with the Polish Institute for Human Rights and Business, we conducted a workshop on human rights for representatives of the following units: purchase, supply chain, HR, compliance management, risk management, and CSR. The workshop was aimed at familiarising employees with the subject of human rights and identification of risk areas in this area in the company and its supply chain. The result of the workshop was a matrix mapping 33 human rights identified as relevant for Orange Polska. We also launched an e-learning training on human rights that was completed by 73% of the purchasing team.

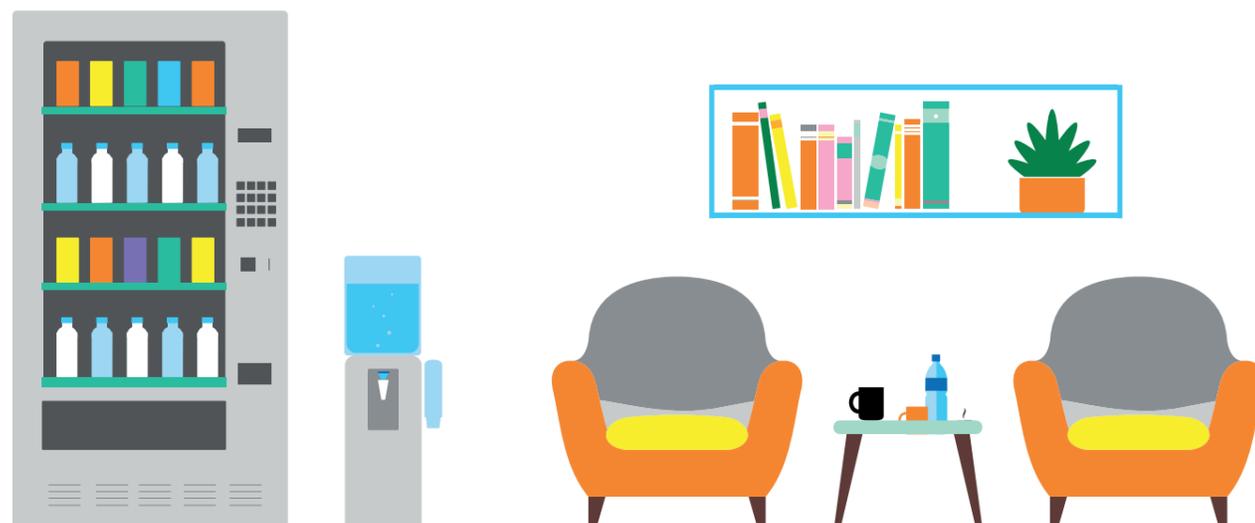
Rights related to diversity are covered by our diversity management policy (more on p. 70); privacy and data protection by our customer safety policy (more on p. 62).

Environmental

Orange Polska is sensitive to global challenges related to the natural environment and natural resources. We have set ambitious goals and are taking concrete actions across all our business units to reduce our environmental impact. We also 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.

In addition to the efforts we make to reduce the impact of our own operations on the environment, as a provider of telecommunication services we can significantly contribute to reducing the negative impact of business as a whole. Digital technology is now integrated into all sectors of human activity, and developing its uses is our daily challenge. Moreover, by radically transforming the industrial world, digital technology also creates the potential for more innovative and sustainable solutions to the challenges posed by energy use and ecological damage.

By offering services that can replace traditional communications or written documents, we promote environmentally friendly solutions which help to reduce greenhouse gas emissions. 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. By sending electronic monthly invoices to over 5 million of our clients, we saved 963 tons of paper in 2018, equivalent to 22 thousand trees (44 hectares of forest). We used 82 tons less paper and 4 million fewer envelopes than in 2017. Our business activities also affect the natural environment through generation of industrial waste such as electronic and electrical equipment, batteries and storage cells, cables and telegraph poles: the safe 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 87.

Corporate culture

Orange Polska attaches great importance to ensure 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 and simplification, in which all employees feel respected and can freely express their opinions. The culture, where all departments aim to reach a company goal together - as one team. We aim to be a company focusing on making things and company procedures simpler.

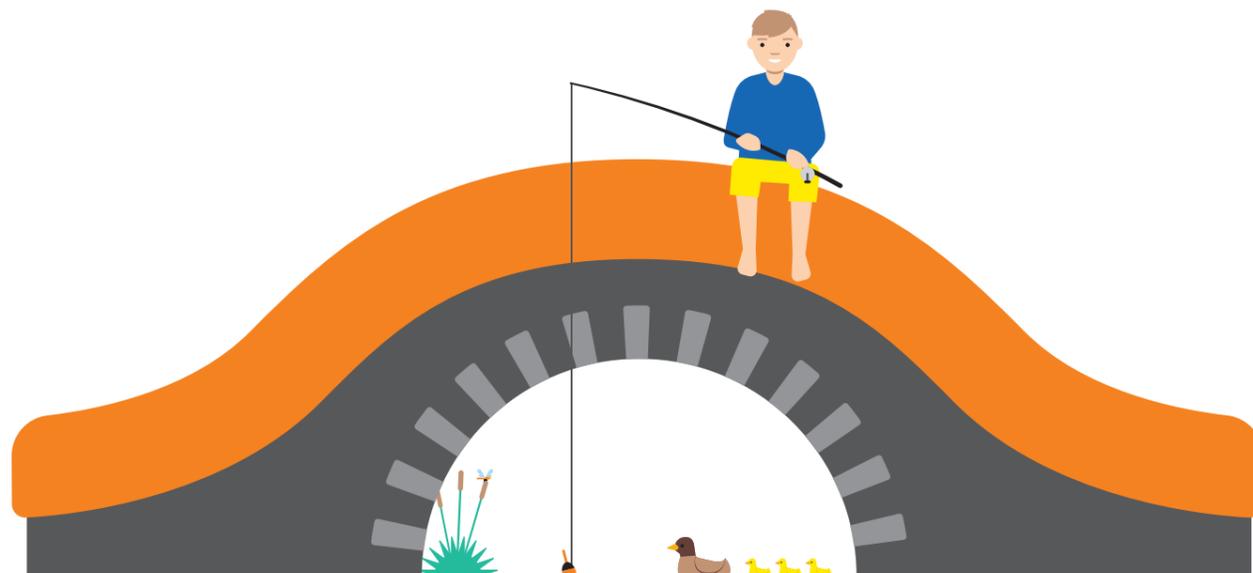
Orange Polska conducts regular employee surveys and engages in dialogue with trade unions. We build the foundations that help create a friendly workplace. We take care of employees' safety, health and retirement plans. We provide preventive healthcare, promote sports activity among employees and offer 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.

Following the launch in 2017 of our strategic programme Orange.one, we are in the continuous process of transformation. The programme concentrates on two key pillars of the organisation: operational results and corporate culture. Each year we are conducting a dialogue with employees and inviting all employees of Orange Polska to express their opinions about the corporate culture in the companywide study - Organizational Health Survey.

Last year's 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 69.





Strategy



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

Q: 2018 was the first full year of your strategy Orange.one strategy. How is it going?

Let me start with a brief reminder of the key pillars of our strategy. On the consumer market, our goal is to win the highest share of households' media and telecom bills by offering convergent packages. We see big potential here, the majority of households still buy their services from different operators. Consolidation brings both convenience and financial benefits.

On the business market, the key trend we see across practically all industries is digitalisation. Enterprises are both digitalising their internal environments, and enabling digital experiences for their customers. We want to be their partner in this revolution. To do that we are developing our competencies, mainly in the ICT area, which includes cloud solutions, security and software & applications.

A successful strategy in these two markets would not be possible without the rollout of our fibre network. Fibre is our long-term competitive advantage, which makes us confident about our success in convergence. We already reach almost 3.5 million Polish households and by the end of 2020 this number will exceed 5 million.

The final pillar of our strategy rests on rapid efficiency increases. We have introduced a comprehensive transformation programme to simplify and, where possible, to automate and digitise our business processes.

Results for 2018 were better than expected, and this is because we implemented our strategy effectively despite the environment, which remains challenging. On behalf of the executive team of Orange Polska, I would like to thank and congratulate the entire organisation for the huge effort that was necessary to reach these outstanding results.

Q: You call convergence the bedrock of your strategy. Aren't you afraid of increasing competition in convergence, when more market players start to pursue this strategy?

First of all we are not surprised that other operators are starting to pursue a similar household strategy. We were pioneers, we showed the way, others follow us, which means that the strategy we adopted several years ago was right.

Secondly, the Polish market has always been very competitive so we are used to doing business in such an environment.

A third point: convergence still has relatively high growth potential in Poland. So if more players choose this strategy, the demand for such solutions on the market is likely to increase which should be beneficial for us as well. Operators with a mobile - only strategy will be under higher pressure. Please also note that one of our competitors will be using our fibre network to offer convergent products, so we will benefit from this on the wholesale side.

Saying all of this does not mean that we underestimate the competition. We take it very seriously. We modified and strengthened our Orange Love offer in March this year. Our goal is to compete on the quality of the offer and customer service, not on price. We strongly believe that our convergent offer and fibre to the home network (by far the largest in the country) put us in a unique position to meet all the needs of Polish customers.

Q: What are the key priorities for 2019?

We are in the middle of the implementation period for the strategy we announced in September 2017. We are satisfied with the results so far. This year we will continue our path towards turnaround. We are confident that we will be able to sustain the growth. In 2019 we plan not only to grow our EBITDA but also revenues, for the first time in many years. In pursuit of this goal we will stick to our strategic priorities. We will stay customer-centric and focused on value generation. We will also continue to simplify our processes and increase efficiency.

Poland's macroeconomic situation remains very favourable with very low unemployment, growing disposable income and consumers being very open to new technologies. We want to take advantage of these trends. Please note that prices of telecom services in Poland are very low and we are one of the only sectors where they have been declining over the past few years, despite a growing economy and increasing purchasing power.

In 2018 we initiated our programme of cultural change at Orange Polska. Empowering employees and more direct and straightforward communication are the key elements of this change. I believe this cultural change is an important factor to achieve our business goals and we want to continue that.

Q: 5G technology becomes the key topic for the telecom industry for the coming years. How will your customers be able to benefit from it?

To begin with, 5G technology will further improve speed and latency for broadband users on mobile devices. It is an answer to the needs of new areas of the economy: growing digitisation, more video content, the need to be constantly online, automation of industrial processes, cloud solutions, electronic management of complex ecosystems (e.g. so-called Smart Cities), and the Internet of Things. In the future this technology will enable fast data transmission in many new services, some of which do not even exist today.

5G has become an important element of Orange Polska's development. In 2018 we did first commercial trials and installed the first 5G base station in Poland. We are preparing for further tests in 2019. For 5G network deployment the industry needs new frequencies, decisions on which are in the hands of government institutions. We are actively supporting the Polish authorities' 5G strategy development.

Q: Orange Polska is one of the leaders of corporate social responsibility in Poland. Are economic and social goals compatible?

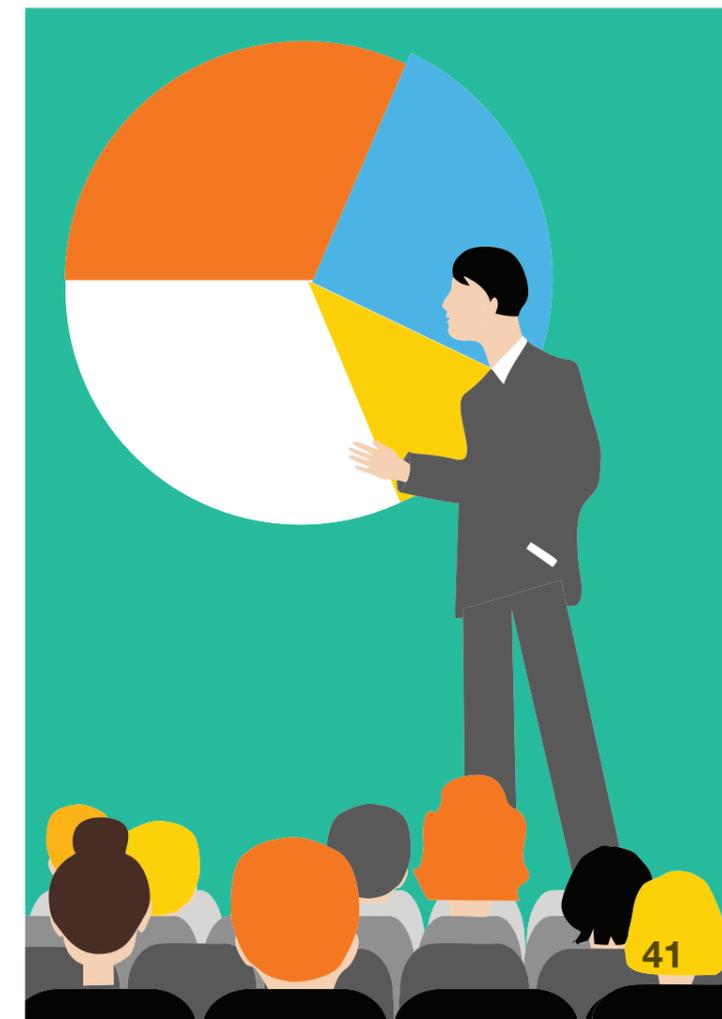
A company such as ours, that offers services that are the basis for the development of communication and digital transformation, that supports millions of individual and business clients, that employs thousands of people in Poland and cooperates with thousands of suppliers, has a significant social impact. Such a company, first of all, should be aware of its influence. Secondly, it should manage this influence in such a way as to maximize the positive and minimize the negative. Orange Polska aims at running its business in a balanced and responsible manner.

The strategy of corporate social responsibility is key part of our business strategy, and it is based on a continuous dialogue with employees and customers, as well as cooperation with our business partners, social organizations and public institutions. With this approach and in cooperation with others, we can positively influence the socio-economic development of the country and local communities, and build our competitive advantage.

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

As I already mentioned, I have great hopes that the Polish market is heading towards some repair. This industry destroyed a lot of value in the prior years because of competition based solely on price. We believe the prices have finally stopped declining and the customer experience will be improved mainly based on infrastructure quality and excellence of service. The Polish telecom market is quite fragmented and consolidation processes are rather slow. I continue to believe that it will eventually consolidate and there will be fewer players, but more integrated and convergent.

By implementing our current strategy at Orange Polska, we believe we are building a company that is a better structural fit for future market opportunities and the competitive environment. We are focusing on convergence and fibre, two competitive advantages that are mutually reinforcing and they will fuel our resilient leadership in the market. We are investing in the future-proof infrastructure that will serve us for the next 20-30 years, and that we will be able to monetize both in retail and wholesale operations. We are intensively transforming ourselves from a legacy telco to a much lighter and more agile organization that will be appreciated by customers and employees, and valued by investors.



Our key strategic goals are:
Return to growth of revenue and profits
Growth of shareholder value

Demand for data Trend towards convergence Digitalisation Fixed to mobile substitution High level of competition

As a result our strategy focuses on:

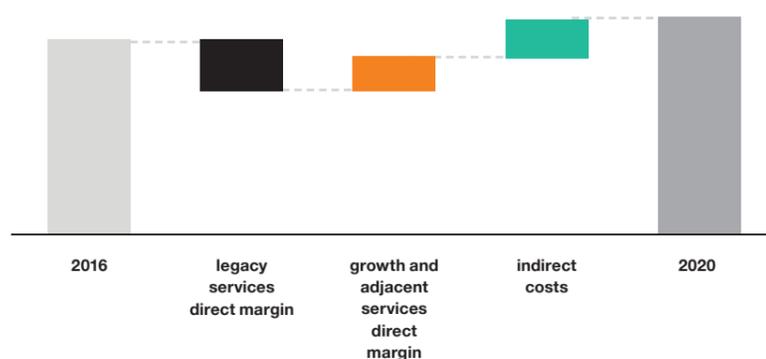


2018 was the first full year of implementation of the strategic plan called Orange.one that we announced in September 2017, marking our new approach to long-term value creation. It represents an intensification of previous initiatives and articulates the company's strategic vision to 2020. Orange Polska 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 customers; 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 also constitutes an important lever for our convergent strategy and one of the key enablers of our turnaround ambition.

We have completed four years of investments, bringing almost 3.4 million households within the range of the service at the end of 2018. We are on track to reach our goal of more than 5 million households covered by the end of 2020. That number would include 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 2018 our network coverage included more than 400,000 households via the infrastructure of other operators.

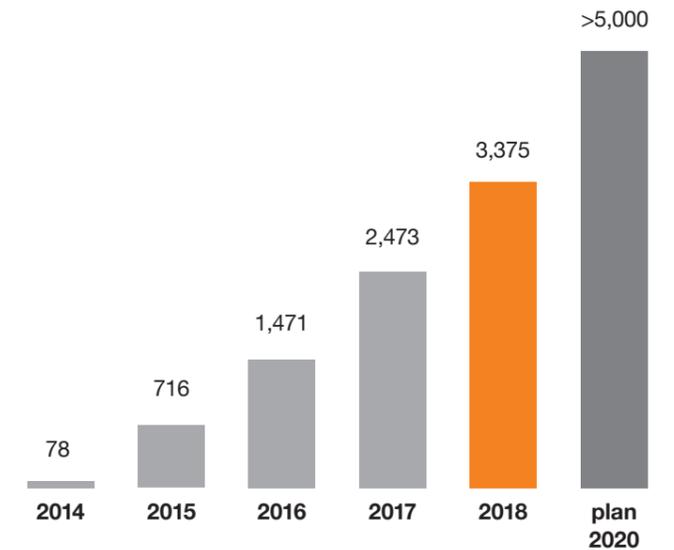
In 2018 we covered around 900,000 additional households, broadly maintaining the very fast pace of deployment from the previous year. We plan to maintain this pace in 2019. Last year we focused on smaller cities and also on single-family houses as opposed to multi-family residences. Single-family houses constituted around 17% of total deployment in 2018. On one hand, single-family houses carry a much higher construction cost; on the other hand, we notice far higher demand for our services due to much lower competition.

To explore new opportunities and to better monetise our fibre investment, in 2018 we signed an agreement with T-Mobile granting wholesale access to our fibre network. The agreement covers ca. 1.7 million households located in deregulated zones, with access points built in multi-family residences on Orange Polska's own infrastructure. The wholesale cooperation will contribute to faster

monetisation of our investments in the fibre network, maximise usage of our infrastructure while avoiding fibre network overbuilding by other operators and accelerate convergence of telecom services in the Polish market based on fibre. The agreement is not exclusive. We maintain the right to offer the same terms of wholesale access to our fibre network to other operators.

We closely monitor our fibre network rollout with respect to monetisation: the number of customers and the value they bring. This depends mainly on the 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 can easily be upgraded if necessary. In particular, in 2018 we started to offer broadband speeds of 1GB/s on our fibre network. The highest speed previously available was 600 MB/s. Higher speeds (300MB/s and 1GB/s) incur additional charges (PLN 10 and PLN 30 a month, respectively). We also charge customers in single-family houses PLN 15 a month more to recover the higher deployment costs.

Fibre households connectable ('000)



Mobile – more spectrum on LTE

Mobile data traffic growth continues to be very robust. In total, traffic on our mobile network grew by more than 50% in 2018. To address this demand we continually invest in the quality of our network. By the end of 2018 our 4G/LTE mobile network reached almost the entire Polish population on an outdoor basis and 97% indoors. To accommodate robust growth of demand for LTE traffic, in 2018 we focused on refarming 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. In 2018 we completed refarming on the 900 MHz spectrum and we are well advanced on 1800 MHz. Refarming will continue in 2019 and 2020.

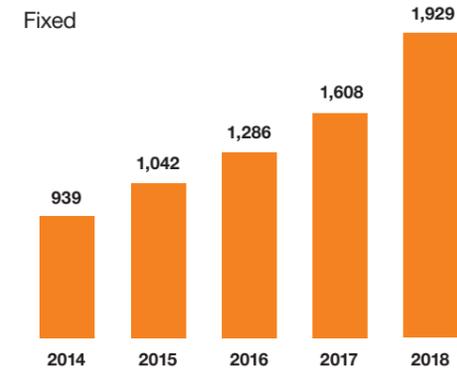
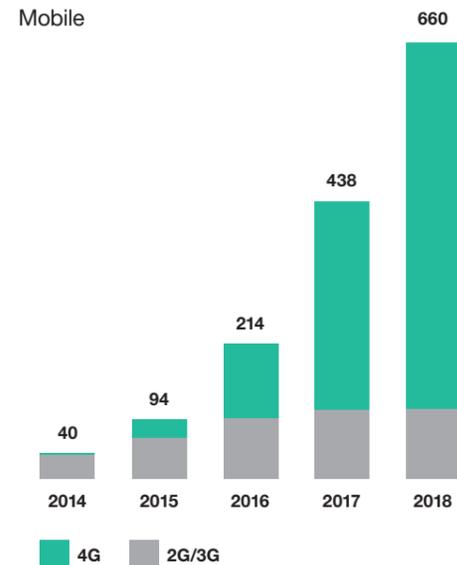
Allocation of mobile spectrum (MHz)



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 70% out of over 10,000 LTE sites enabled carrier aggregation at the end of 2018, a significant advance on 2017. Around 1,200 of our base stations provide LTE technology on four layers of spectrum (800 MHz, 1800 MHz, 2100 MHz and 2600 MHz).

In the years to come 5G technology will become another important element of our mobile connectivity strategy. This will involve allocation of new spectrum, particularly in the 3.4-3.8 GHz band and 700 MHz. Exactly when and how this spectrum will be allocated is in the hands of UKE, and is not certain at the moment. However, for now it appears that allocation of some spectrum in the 3.4-3.8 GHz band will be possible much sooner (perhaps as soon as 2020) than in 700 MHz.

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-focused 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 historically did not invest significantly in fixed access networks. That is now changing, with the acquisition of Netia by Cyfrowy Polsat and T-Mobile gaining access to our fibre network. However, our footprint to offer convergence on a fibre network is by far the largest in the market, and we believe Orange Love, as the only hard bundle offer, is a unique value proposition for Polish consumers.
- 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 – more than 1 million customers in 19 months

Our Orange Love convergent offer continued to be our flagship proposal for Polish households in 2018. In October we passed the milestone of 1 million customers, just 19 months after launching. The total number of convergent customers increased 20% last year to more than 1.2 million. The Orange Love offer is 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. In March 2019 we refreshed the Orange Love offer. We designed two new packages called Extra and Premium to make the choice easier for customers looking for richer TV content.

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 is now fully competitive versus cable operators, allowing us to successfully build Orange’s reputation 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, using modern digital channels.

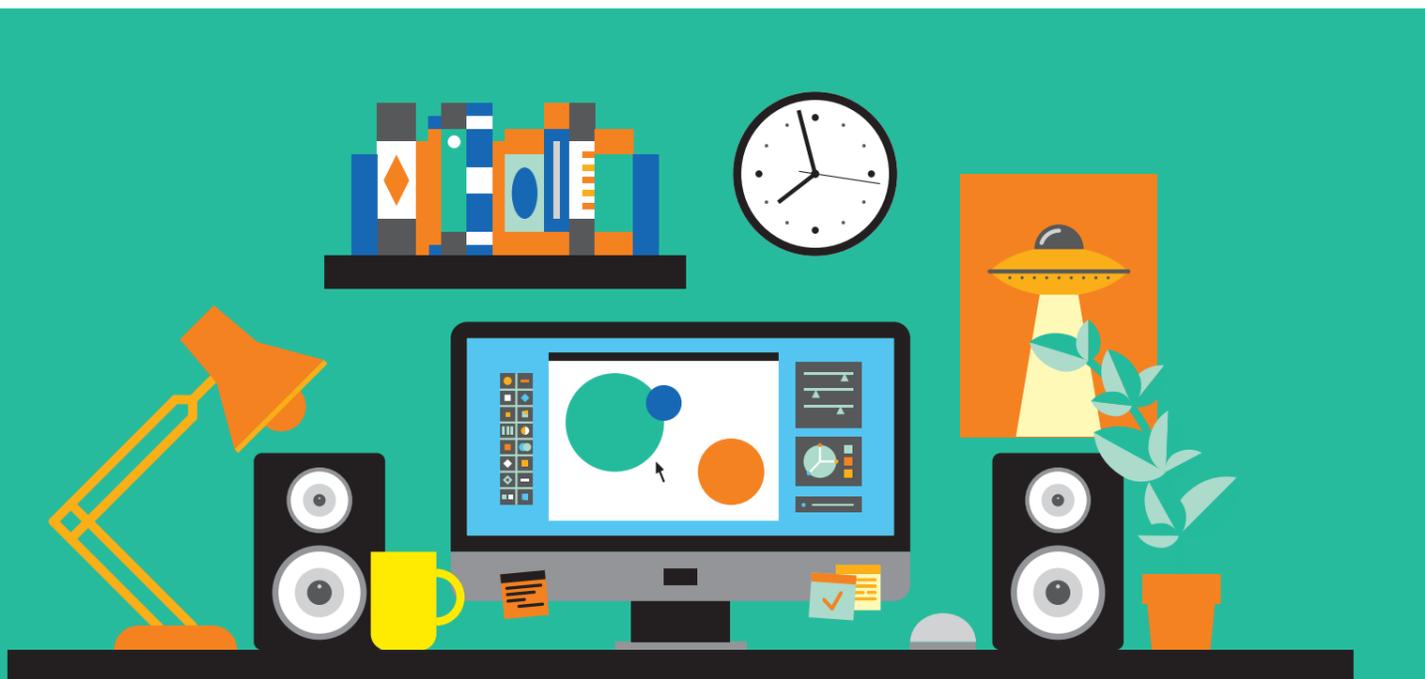
From product portfolio development and process planning to the right mix of contact channels, we unite all our employees around the common goal of providing Orange customers with a unique experience.

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 NPS is increasing gradually, which vindicates our intensive focus on customers in all our activities. At the end of 2018 we had the second highest score in the market, but we took third position overall as there were two operators ranked first equal at the end of 2018.

Approach driven by customer journeys

In 2017, we implemented an approach driven by customer journeys in order to allow comprehensive customer experience management. It is based on a customer journey map, which is the starting point for developing customer excellence.

In 2018, we focused on designing new and enhancing existing customer experiences at each stage of the customer journeys. This resulted in a significant increase in the number of issues resolved by customers on their own via digital and automated contact channels, as well as a drop of 20 percentage points in issues reported by phone.





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 have 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, but that competition will gradually be shifting from one based on price to one based on quality of the offer and customer service.

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 program to simplify, and where possible to automate and digitalise these processes. As a result, we realise savings in operating costs and capital expenditures.

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 continue to do this under the Orange.one strategy. The savings come from the above-mentioned process improvements and simplification. We are more focused and more selective in resource consumption. We tackle all cost categories presented in the chart below. As one of our 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. We reached this target 2 years in advance: in 2018 our indirect costs were 14% lower compared to 2016.

The largest cost category, and at the same time the most important source of savings, is labour. Over the past five years (2013-2018) 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 social plan currently in force, 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. In 2018 1,450 people left the company within the framework of this social plan. In 2019 up to 1,230 employees of Orange Polska S.A. will be eligible for the voluntary departure package.

Indirect cost optimisations also include gains on sale of real estate. We have a large portfolio of real estate, mainly because of our long history. In the past we needed many more locations for our employees and our infrastructure. We are gradually consolidating office locations and optimising space for infrastructure. This process is supported by technological progress and changes in our business model. As a result, we are able to free up resources and sell unused real estate. This is a clear example of our discipline in capital reallocation: we are moving capital away from real estate into our fibre network deployment programme, which provides much better long term returns for the company.

In 2018, we implemented a number of solutions which improved customer satisfaction and minimised effort through simplification, automation and digitalisation of customer relations with Orange. These included:

- Automation of customer care processes – This is a global trend and Orange is its leader in Poland. Further automation of customer care processes and implementation of innovative automated solutions (a bot/robot combination in the customer care process) have cut costs and improved operational efficiency by reducing time to complete, enhancing service quality and eliminating errors in business operations.
- Chatbot – We expanded the scope of assistance. On our orange.pl website, customers can chat with a bot to resolve issues in the following areas:
 - Technical support for fixed-line services;
 - Roaming and international calls;
 - Payment handling.
- eSIM – We were the first operator in the Polish market to introduce embedded SIM (eSIM) cards. Our customers can manage their eSIM cards themselves using our new 'My Orange' app.
- Videocall – In 39 sales outlets, our customers can talk to a consultant online about service issues. In 2018, our customers made over 26,000 such calls.
- We have simplified the invoice layout for fixed-line customers; similar simplification for other customers is still ahead of us.
- Within the offer introduction process at Orange, we have implemented a standard which takes the customer's perspective into account in all customer journeys.

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. Each key decision is considered in terms of customer benefits. The senior management regularly reviews customer satisfaction surveys, identifying the necessary actions. Such review meetings are always attended by special guests: customers who tell us about their experience with Orange. Furthermore, all managers and selected experts regularly call customers who expressed their discontent in satisfaction surveys. An additional support is provided by an internal e-platform launched in April 2018, which is used for sharing knowledge and ideas on customer experience improvements. As a result, all employees can contribute and raise their innovative voice in public. Our employees are also offered a chance to work in multi-function teams on projects aimed at improving customer experience.

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 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.

Split of indirect costs for 12 months (through June 2017)*



- 41% - Labour
Ambition to continue headcount optimization
- 20% - Taxes & properties
Optimization of real estate portfolio
- 14% - Outsourcing
Process, CRM, telesales optimization
- 8% - Other
Streamlining of communication platforms and optimisation of advertising
- 6% - G&A
Simplification of back office and internal support fusion
- 6% - Network maintenance
Progressive move towards IP
- 5% - Energy
Smart energy consumption management

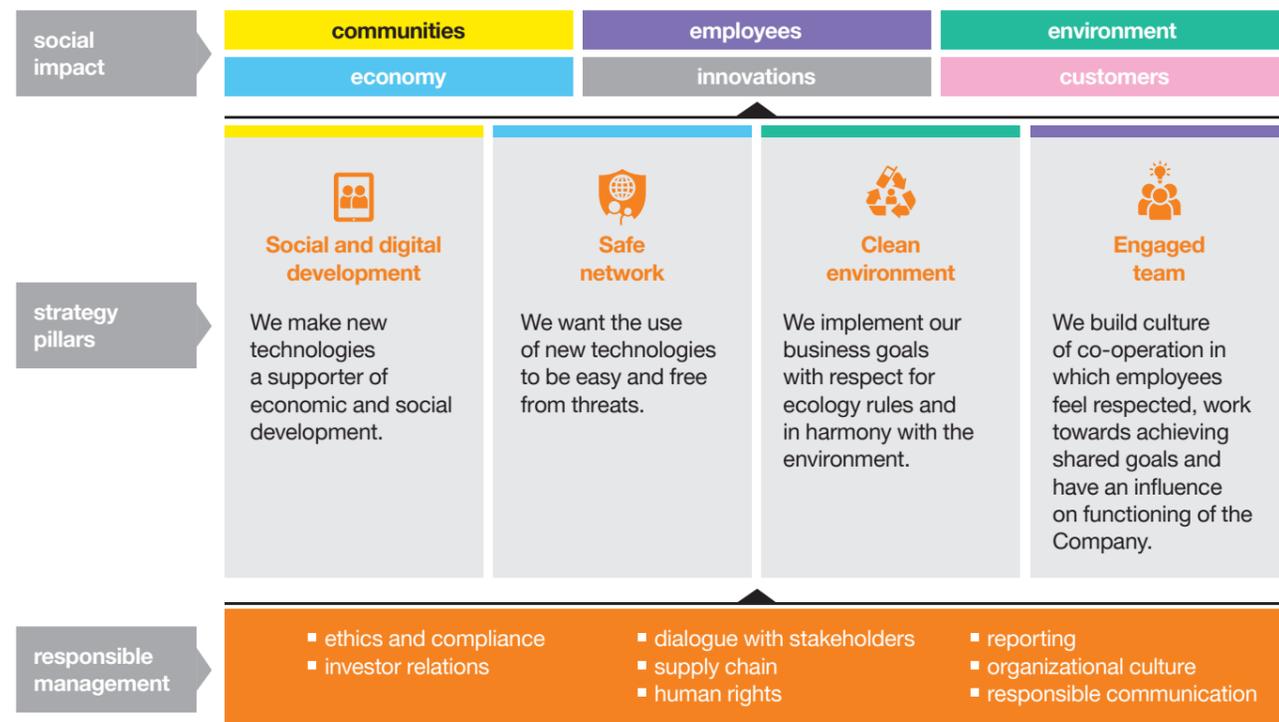
*As presented in September 2017 during Orange.one strategy announcement



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. It was updated in 2018. 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:

- **Social and digital development** – We make new technologies an ally to economic and social development.
 - **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
 - **Engaged team** – We build culture of co-operation in which employees feel respected, work towards achieving shared goals and have an influence on functioning of the Company.
- 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.



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 sustainable growth. The first full-year on strategy implementation confirmed that we are on track. In 2018 our adjusted EBITDA increased year-on-year. This was the first growth after 12 successive years of decline. Our revenues continued to decline however the trend visibly improved. In 2019 our ambition is to sustain growth of EBITDAaL (EBITDA after leases - our new profitability measure, under new accounting standard IFRS16) and also grow our revenues.

2020 financial ambitions

		2018	2019	2020
Revenue	Growth areas to increasingly offset pressure on legacy	approach stabilisation	stabilisation± growth	growth
EBITDAaL***	To be supported by better revenue trend, operating leverage and continued cost optimisation	stabilisation± growth**	growth**	growth
CAPEX	Reflects connectivity programme and business transformation needs	PLN 2.1bn	PLN 2.0-2.1bn	PLN -2.0bn
Net debt	Decreasing from 2019			

* As presented during strategy presentation in September 2017

** Adjusted EBITDA growth under IAS18

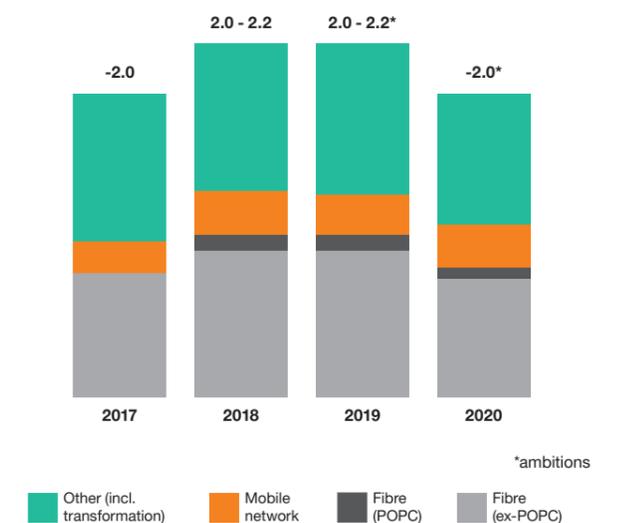
*** EBITDA after leases - our new profitability measure, under new accounting standard IFRS16

Sales revenues growth will be driven by the following factors: significant growth of convergent customer base and convergent services, continued focus on value in pricing, lower decline in non-convergent services, successful development in adjacent business areas (ICT, Orange Energy, sales of equipment) and a diminishing share of legacy services in total revenues.

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.

The improving revenue trend will contribute to an improvement in the EBITDAaL trend, which will also be driven by operating leverage and continued cost optimisation. Announcing the strategy we set ourselves a target to underlying indirect costs by 12-15% by 2020 versus 2016. We reached this target already in 2018 which greatly contributed to very good results achieved last year. Savings are generated across all cost groups, including labour, outsourcing, general & administrative, energy and network maintenance costs. They 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 aims at simplification, automation and digitisation. Cost optimisations are also facilitated by sales of unused real estate. We gradually consolidate office locations and optimise space for infrastructure. This process is supported by technological progress and changes in our business model. As a result of we are able to free up resources and sell unused real estate.

Outlook for capital expenditures (in PLN bn)





Results



Q&A with Maciej Nowohoński, Orange Polska CFO

Q: Your 2018 financial results were better than expected. Adjusted EBITDA not only stabilised but grew for the first time in 12 years. What were the key drivers behind this performance?

It is the consequence of a well-implemented strategy. We have focused our commercial activities around our key competitive advantages, which are convergence and fibre. We have attractive proposals for all customers; however, value management is more important for us than chasing the highest possible customer volumes. Our pricing policy is driven by a 'more for more' approach. We are successfully developing new areas of business, including ICT, sale of devices without contracts, and resale of energy. We also benefitted from the national roaming contract with Play that we signed in 2017. As a result our revenue trend significantly improved, bringing us close to stabilisation. This means that we are able to increasingly offset the structural decline in our legacy services.

EBITDA growth was significantly supported by cost optimisations and record high gains on sale of real estate. The savings almost doubled as compared to 2017. Please note that these are net savings. Certain costs increased due to market factors, and we increased salaries – so gross savings were even higher. They were generated in all areas of operations including labour, customer care, IT, network, property and general expenses. It is worth mentioning that more than half of them came from areas other than permanent labour.

Q: You managed to cut your indirect costs by 10% and you reached the target two years ahead of schedule. What further prospects are there in this area?

The Orange.one strategy placed a new emphasis on efficiency, with its particular focus on value in all aspects of our operations. In implementing the strategy, we have introduced a comprehensive transformation programme aimed at simplifying our business processes and automating them where possible. Thanks to this programme we are able to find more and more optimization opportunities in all stages of our business model. Simple cost cutting at Orange Polska finished a few years ago.

Let me give you some typical examples of process simplifications and automations that we introduced last year. We were the first operator on the Polish market to introduce artificial intelligence: it is now used for 95% of customer interactions with call centres. Paperless electronic contracts are being introduced for customers in all distribution channels. Our omnichannel distribution network is now supported by a brand new supply management system. We are also finishing implementation of an integrated management system for our fibre investments.

In September 2017 we promised to cut indirect costs by 12-15% by 2020 versus 2016. We are in the middle of this period and we have already reached our target. The results achieved in 2018 were indeed better than expected but I can assure that more savings will come. We continue to have strong ambitions and our optimisation programme is running at full speed.

Q: You generated record high proceeds and gains from real estate disposals in 2018. Can this be continued? How much more is left to sell?

Real estate disposals should be seen in the context of our business transformation. We have a large portfolio of real estate mainly

because of our long history. In the past we needed many more locations for our employees and our infrastructure. We have gradually consolidated office locations and optimised space for infrastructure. This process is supported by technological progress and changes in our business model. As a result we are able to free up resources and sell unused real estate. This is a clear example of our discipline in capital reallocation, as we are moving capital away from real estate into our fibre network deployment programme which provides much better long term returns for the company.

In 2018 we generated almost PLN 250 million of cash from real estate disposals – a record high. However, the market value of our portfolio still available for sale exceeds PLN 1 billion. It will be gradually disposed of in the coming years.

Q: You guide for growth of operating performance in 2019. What will be the sources of this growth? What are the key challenges?

Our guidance for 2019 is consistent with our 2020 turnaround ambitions. We plan to sustain growth of operating profitability and grow our revenues for the first time in many years. The sources of the growth will be unchanged. Commercial activity will continue to reflect cautious value management. This means that we mainly compete with quality of our offers and customer care, rather than on price. We strongly believe the Orange Love offer, which we just significantly strengthened, combined with our fibre broadband, creates a proposition for Polish consumers that our competitors cannot match. On mono services we will put more emphasis on improvement in ARPO trends. As I already mentioned we have high ambitions for further cost optimisations and real estate disposals; however last year's achievements will be difficult to beat.

As for the challenges: the key to success, as usual, will be proper execution. We expect the market to remain competitive. We may be faced with certain regulatory headwinds, for example a cut in maximum rate of long distance calls within European Union. In our plans we are also taking into account the inflation of certain costs, like salaries and energy.

Q: Starting from 2019 you will introduce a new accounting standard IFRS16. What impact will this standard have on your business and financial reporting?

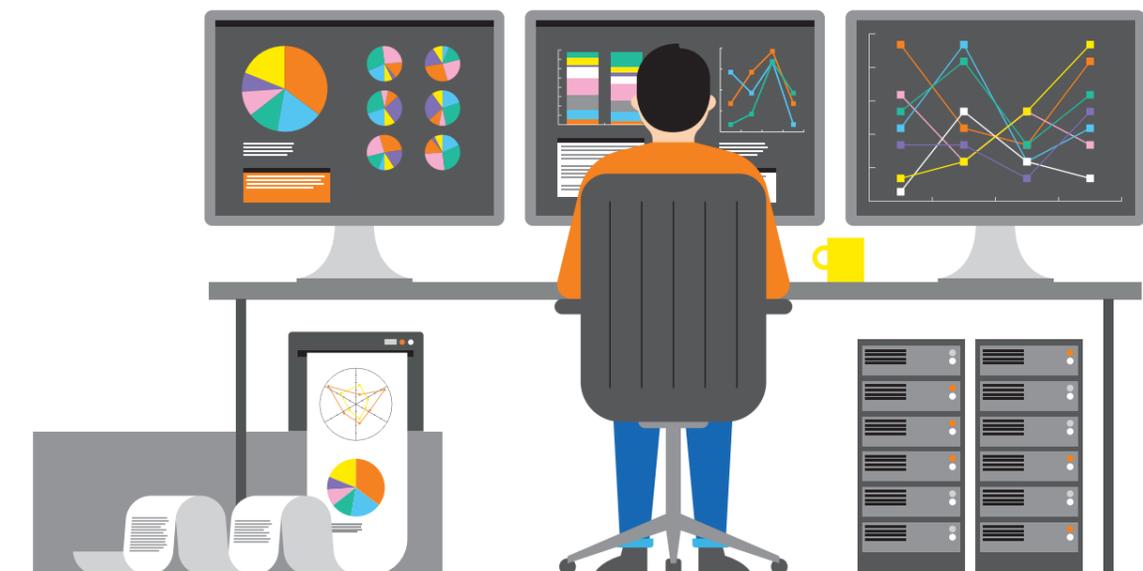
IFRS16 is the new accounting standard that we are obliged to adopt in 2019. The key objective of the new standard is to provide a single accounting method for all lease contracts for lessees. All the lease commitments will now be integrated on the balance sheet. In the P&L, expenses related to operating leases – so far booked as operating costs – will be booked below EBITDA under IFRS16.

We sign a lot of leasing contracts at Orange Polska, for example for rental of commercial and office space or lease of space for network infrastructure. As a result, the impact on our accounting will be substantial and EBITDA derived directly from financial statements under IFRS16 will be much higher.

However the standard does not change our business fundamentals and sources of value creation. In our view, expenses related to leasing contracts are part of operating activity and operating profitability. Therefore, under IFRS16 we decided to use a new alternative performance measure for reporting operating profitability. It is called EBITDAaL, which stands for EBITDA after leases. Please note that it reflects the key concern of IFRS16, so one accounting method for all leases, but integrates this impact within operating performance. It provides a better reflection of how the company is being managed internally. Also, EBITDAaL is very close to EBITDA as we reported it under IFRS15, so it allows for relevant comparison with the previous year.

Q: When do you think Orange Polska might 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 is successful turnaround and establishing a business model that will allow us to grow on a sustainable basis. Results for 2018 confirm that we are on track. The other very important factor for dividend prospects is the upcoming allocation of spectrum for 5G technology. It is still uncertain when this may happen and how much it may cost us. When we commented on our full-year 2018 results in February we stated we could envisage a dividend being paid in 2021 for the results of 2020. However, we cannot commit to that today. When we return to a dividend payment, our intention is that will be based on a transparent and sustainable dividend policy.



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 bring up to 1 million households within the reach of our fibre network in 2018.

To further develop our LTE coverage and provide best connectivity experience on LTE.



Delivery on our commitments in 2018

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 2018 we continued to concentrate our efforts on fibre technology to keep pace with the demand for high-speed broadband, and we improved the quality of our mobile 4G/LTE network to accommodate the explosive growth of mobile data traffic.

Fixed Line

A fast, modern and reliable network is a critical factor to success in convergence. Due to great differences in the competitive environment, the technological options related to population density, our market shares and customer needs, we use a local approach in our activities, which varies in big cities, medium to small towns and rural areas. In big cities we focus on development of fibre coverage and recovery of market share in fixed broadband by capitalising on our excellent position in the mobile market; whereas in rural areas mobile technologies, supplemented by fixed ones, are the primary broadband access solution.

In 2018, in line with our strategy, we continued massive development of fibre lines. As at the end of 2018, almost 3.4 million households were connectable with the fibre network, which is an increase of over 900,000 compared to the end of 2017. Our fibre services are available in 117 cities compared to 75 cities at the end of 2017. In more than 50 cities, our fibre network

reaches over 50% of all households. In 2018, we focused more on developing our network in smaller towns, where some districts are dominated by single-family houses. These accounted for 16% of the total network rollout. On one hand, it involves much higher investments, but on the other hand, we expect much higher demand for our services in single-family houses – despite the fact that fibre broadband is more expensive for such customers.

Our fibre development strategy assumes wholesale agreements with other fibre network operators, wherever it is technically possible and economically viable. 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. Such agreements were concluded in 2016, 2017 and 2018. Under this scheme, we have been already using the infrastructure of 32 operators for nearly 417,000 households.

The number of households connectable to Orange Polska's VDSL network stood at over 5.3 million at the end of 2018. VDSL range increased only 2% as compared to 2017, mainly because we gave priority to fibre network investments.

Orange Polska is Poland's largest wholesale service provider. Lines with capacity of 1 Gbps or more have been in particularly great demand recently. In 2018, we continued to build nationwide OTN (Optical Transport Network) trunk lines in order to enhance accessibility and reduce time to deliver leased lines services. In 2018, we began to implement new high-capacity nodes which will increase network flexibility. Our nationwide OTN consists of 30 transport nodes in Poland's biggest cities, providing for an aggregate network capacity of 3.1 Tbps.

Mobile

We have been gradually expanding our network coverage and capacity. In 2018, our customers got access to further 355 base stations. As data transfer on the Orange mobile network is growing rapidly, with the biggest increase reported in 4G LTE traffic (which grew 75% in 2018 year-on-year), LTE technology remains the top investment priority in our mobile network. Thanks to our ongoing investments in the mobile network, 4G outdoor coverage for all bands was 99.83% of the population on 98.00% of Poland's territory at the end of December 2018. We provided LTE services via 10,882 base stations. In 2018, Orange Polska also focused on increasing the number of sites that enable spectrum aggregation; their number reached 6,901 at the end of December 2018 compared to 3,916 a year earlier. As a significant portion of the available spectrum was allocated to older technologies (2G and 3G), we decided that in addition to building new stations and expanding our 4G LTE network based on the 800 MHz and 2600 MHz frequencies, we will also optimise the use of our frequency resources. The first change involves the conversion of the 15 MHz frequency block in the 1800 MHz band, which is used jointly

with T-Mobile, into two independent carriers of 10 MHz each. This enables to increase the capacity of our 4G LTE network within this band by approximately 1/3 in a short time. The second element of the spectrum refarming process will be to launch LTE services in the 2100 MHz band. Orange Polska will use 10 MHz (currently allocated to 3G) for this purpose. Both changes allow aggregation of up to four carrier bands, which translates into higher network capacity and transfer speed. The total bandwidth allocated to LTE services will increase to 45 MHz. At the same time, in order to maintain the quality of our 3G network, we have also converted the 4.2 MHz frequency block used jointly with T-Mobile for UMTS900 services into two independent carriers of 4.2 MHz each. The change in the spectrum usage in the 900 MHz band has been already effected, while the ones in the 1800 and 2100 MHz bands are being introduced gradually, and by the end of 2018 had been completed in 11 cities (Cracow, Toruń, Poznań, Bydgoszcz, Upper Silesian Conurbation, Tricity, Olsztyn, Wrocław, Lublin, Szczecin and Warsaw). The whole refarming project will take three years and will be completed in 2020.

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
31 Dec 2018	98.00%	99.83%	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
31 Dec 2018	84.08%	96.77%	All LTE bands

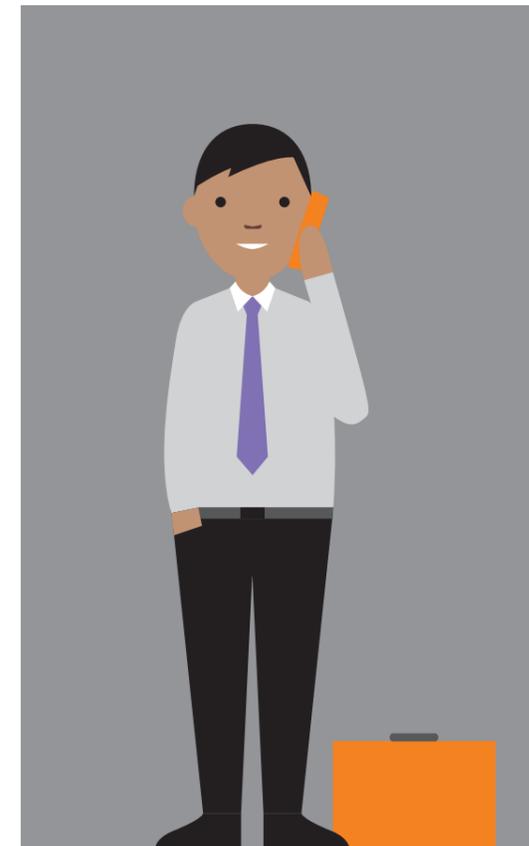
Delivering a palette of services adjusted to customer needs

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*	2016: 835,000 2017: 1,306,000 2018: 1,547,000
Number of mobile SIM cards	2016: 15,799,000 2017: 14,424,000 2018: 14,805,000
Number of mobile post-paid SIM cards	2016: 9,262,000 2017: 9,726,000 2018: 9,922,000
Number of mobile pre-paid SIM cards	2016: 6,537,000 2017: 4,698,000 2018: 4,883,000

*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 fixed retail broadband customers	2016: 2,206,000 2017: 2,438,000 2018: 2,560,000
Number of fibre customers	2016: 88,000 2017: 214,000 2018: 366,000
Convergence penetration in B2C fixed broadband customer base	2016: 35% 2017: 50% 2018: 57%
Convergence penetration in B2C mobile handset customer base	2016: 24% 2017: 37% 2018: 46%
Number of fixed voice customers	2016: 3,932,000 2017: 3,684,000 2018: 3,407,000

Delivery on our commitments in 2018

In 2018 we continued our commercial strategy, based on striking a balance between volume and value. Our commercial activity is focused on delivering a package of mobile and fixed services, which we define as convergence. It is our competitive edge, it constitutes a good customer loyalty tool and it allows us to upsell more services, winning a higher share of household media and telecom budgets.

B2C Convergent base ('000)



Convergence addresses the household telecommunication needs and is a powertrain of our strategy

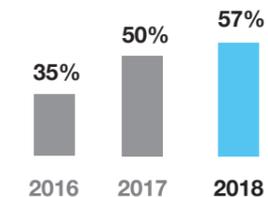
One of the key strategic objectives is to be the leader in telecommunication services sales to households. Convergence addresses household telecommunication needs in a comprehensive manner, increasing customer satisfaction and reducing churn (as churn rate is significantly lower than among single service users). Through our convergent offer, we are able to enter new households with our services as well as upsell additional services to households where we are already present, displacing competitors that cannot provide such a comprehensive offer.

In 2018, we continued sales of the Orange Love convergent offer, which is our flagship proposal for Polish households. It was introduced in February 2017 and its basic package includes:

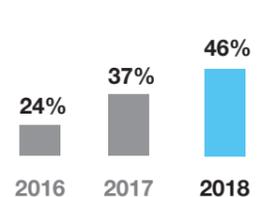
- broadband access via either copper, fibre or wireless-for-fixed technology;
- a TV package of around 100 channels;
- mobile post-paid service with unlimited calls and SMSs plus a 5 GB data pool; and
- a home phone.

The basic package can be extended to include broader TV packages, additional mobile post-paid services at a discounted price or added-value services, such as Orange TV GO or multiroom.

Convergence penetration in B2C fixed broadband customer base



Convergence penetration in B2C mobile handset customer base



The offer is supplemented by a broad portfolio of smartphones, offered on instalment schemes. Sales remained high, despite the fact that huge growth in 2017 led to considerable saturation of our broadband customer base with convergent services. By the end of October, the Orange Love customer base exceeded 1 million. The majority of new mobile and fixed broadband service sales are now in the convergent bundle formula. Our convergent offer is a major competitive advantage over CATV operators, as they provide no or very limited mobile services. In 2018, our B2C convergent customer base increased by

201,000 (or almost 20%), reaching just over 1.2 million. The total number of services we provided to these customers exceeded 5 million. On average, each convergent individual customer uses more than four Orange services, and this ratio is on a stable upward trend owing to upsell of additional mobile and TV services. The share of convergent customers in the aggregate base of residential customers of fixed broadband and mobile voice services has considerably increased, owing to the attractiveness of the Orange Love offer and the prioritisation of convergence at Orange Polska. Currently, 57% of B2C fixed broadband customers and 46% of B2C mobile handset customers have convergent bundles.

Mobile services: consistent implementation of a value-based commercial strategy

Following significant modifications of tariff plans in the autumn of 2017 (which involved mainly substantial simplification and reduction of the number of tariff plans), the changes we introduced in 2018 were aimed mainly at increasing the attractiveness of high-end tariffs. In particular, such plans now include unlimited data transfer; once a dedicated data pool is used up, customers can still access the Internet, though the transfer rate is reduced to 1 Mbps. We also added pools of minutes for international calls in these tariff plans. As a result, our high-end tariffs gained an additional differentiator and became more attractive to customers, which raised their share in customer acquisition and retention. In addition, we introduced higher flexibility in combining various tariff plans in family offers.

In line with our value-based strategy, we continued to follow a policy of low handset subsidies, which was introduced in 2017. However, we introduced an option to purchase handsets in an instalment scheme at any time during the lifetime of the service contract. Before, customers could only buy a new smartphone on an instalment basis when concluding or renewing their contracts. Now, they can be much more flexible in this respect, which increases our competitiveness in the smartphone market versus other sales channels. We have thus addressed the needs of customers who either look for novelties or have lost their handset and need a new one. As a result, we have significantly increased smartphone sales and enhanced customer loyalty.

As at the end of December 2018, Orange Polska had a mobile services base of 14.8 million, which is an increase of nearly 3% versus the end of 2017.

In the post-paid segment, the number of SIM cards was up 2% year-on-year. Sales of handset offers increased by 3%. That is less than in 2017, as a result of the consistent implementation of a value-based commercial strategy and concentration on the Orange Love convergent offer in customer acquisition. As we expected, the number of mobile broadband services continued to fall due to increased popularity of mobile broadband for fixed use offers, as well as growing data pools for smartphones in mobile voice tariff plans. The number of SIM cards related to M2M services was still growing rapidly.

The pre-paid customer base increased by almost 4% in 2018, after a huge decline in the previous year (mainly due to a slump in new pre-paid activations following the registration obligation). The increase resulted from market stabilisation, as well as favourable changes in the service portfolio and effective communications that proved attractive to customers.

Fixed broadband: the highest ever fibre customer growth underlines fibre's competitive advantage and support it gives to convergence

Total fixed broadband customer base increased by 122,000 or 5% in 2018, reaching 2.6 million. The trend did not change compared to 2017. This growth is driven by an attractive convergent offer and investments in fibre and mobile networks. Decline in the mostly non-competitive ADSL technology was offset by growth in VDSL, fibre and wireless-for-fixed. The share of these growing technologies in the aggregate customer base increased to 55% at the end of December 2018 (from 46% at the end of 2017). We expect this transformation to continue as a result of the steady implementation of our convergence strategy and further investments in the fibre network.

Fibre customer base reached 366,000 and added 152,000 in 2018. Our non-convergent broadband customer base continued to shrink, as a result of migration to convergence but also due to churn.

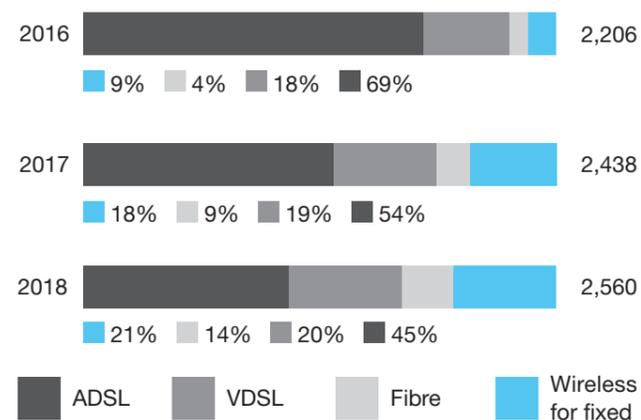
As for the development of Orange TV services, 2018 saw the continuation of the convergence strategy, of which pay-TV is a major element, as well as further investments in quality 4K Ultra HD services. The take-up of Orange TV services has seen steady growth, reaching 943,000 (up 94,000 or 11% year-on-year).

In 2017, Orange Polska became the first nationwide operator to provide pay-TV content at 4K resolution. Since then, the 4K offer has been constantly expanded. In addition to two TV channels (Festival 4K and Eleven 4K) and 4K content provided by Netflix via Orange set-top boxes, in 2018 the Company introduced TVP 4K and Canal+ 4K channels during the 2018 FIFA World Cup and enhanced its video-on-demand catalogue of films and programmes from such providers as Discovery and Warner.

Fixed voice services: unfavourable trends continue

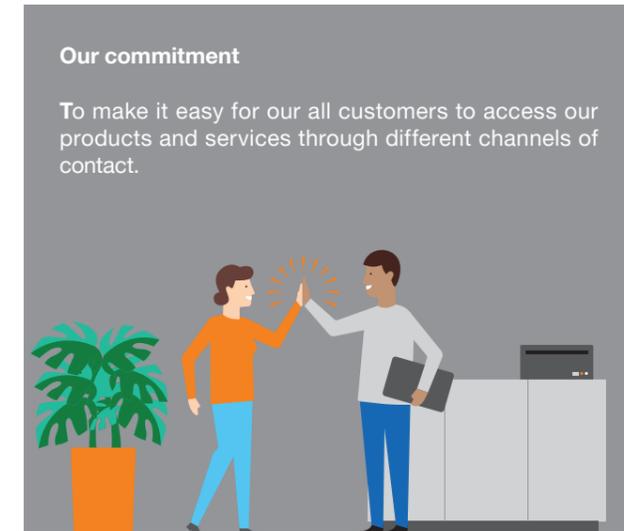
Erosion of the fixed voice customer base (excluding VoIP) totalled 431,000 in 2018 and was slightly higher than in 2017. The decline can be attributed mainly to structural demographic factors and the popularity of mobile services with unlimited calls to all networks. It is also a result of our convergence strategy, which stimulates partial migration of customers to VoIP. Revenue erosion was approximately 13.6%, remaining at a similar level to 2017. We expect this downward trend to continue in subsequent periods. A positive trend, however, is the stabilisation of average revenue per user.

Fixed broadband customer base ('000)



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.

Delivering on our commitments in 2018

Optimisation and increasing the effectiveness of our sales channels

Our key objectives include further development of our online sales channel 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.

The rapid development of online sales, combined with omnipresent digitalisation, influences the expectations and purchase preferences of our customers. As a result, sales outlets are losing their dominance as the main contact channel through which most customers new to Orange make their purchase decisions. On the other hand, most existing customers who want to buy additional services still choose retail outlets. That means we need to invest in the development of our point-of-sale network. In the Best Retail Network project, within three years we will modernise the entire network of our sales outlets, refreshing their appearance and implementing modern solutions. The new-look stores will enable customers to experience Orange products and services more interactively, which we expect to drive purchases.

We are implementing a customer-centred philosophy, and removing barriers between customers and products. In our outlets, we want customers to feel as comfortable as at home, ensuring the most positive brand experience and providing for clear segmentation of products, including accessories. Notably, our Best Retail Network project involves changes not only in the POS appearance, but also in the consultants' attitude towards customers. This is effected through a new training programme and IT tools, particularly laptops to increase mobility and a new queue management system.

We had a chain of 731 points of sale, including 23 Smart Stores, at the end of 2018. A total of 155 Orange outlets are fully accessible to the disabled.

Our own retail outlets are complemented by chains of independent distributors, such as Media Markt or Media Expert. In 2018, cooperating with them gave the Orange brand a presence in 509 additional points of sale, offering a complementary service to con-

KPI	Performance		
Number of POSs	755 2016	739 2017	731 2018
Number of POSs adjusted to customers with disabilities	2016	2017	2018
	157	155	146
Number of Smart Stores	2016	2017	2018
	12	14	23

sumers interested in buying a device. The only difference is that when selling mobile services, we offer vouchers for purchasing devices from our partner's range, instead of handsets on instalment schemes.

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. booking an appointment at an Orange POS). We also continued to work on other digital innovations to support our sales strategy. In 2018, we optimised sales processes at our orange.pl website, adopting agile project management methodologies (Scrum) and further developing unassisted sales based on personalisation tools. This resulted in a significant increase in sales through this channel. The effects of these changes can be already seen. The sales to mobile and fibre customers via our orange.pl website jumped by 63% and 91% respectively (from January 2018 to January 2019).

The telesales channel is used to contact customers mainly for retention and cross-selling. In 2019, we will implement e-agreements in our remote channels, which will considerably accelerate Orange service activation. Customers who order handsets or other devices through this channel can request a home delivery or pick them up in one of our stores.

Following our massive investments in the FTTH network, we have continued to develop our door-to-door sales channel, which enables us to effectively reach non-Orange customers and quickly saturate an area with our fibre services.

Cooperation between all our contact channels has allowed us to gradually implement cross-channel solutions, helping to ensure a uniform, seamless customer experience regardless of the channel.

Making the customer journey easy and friendly

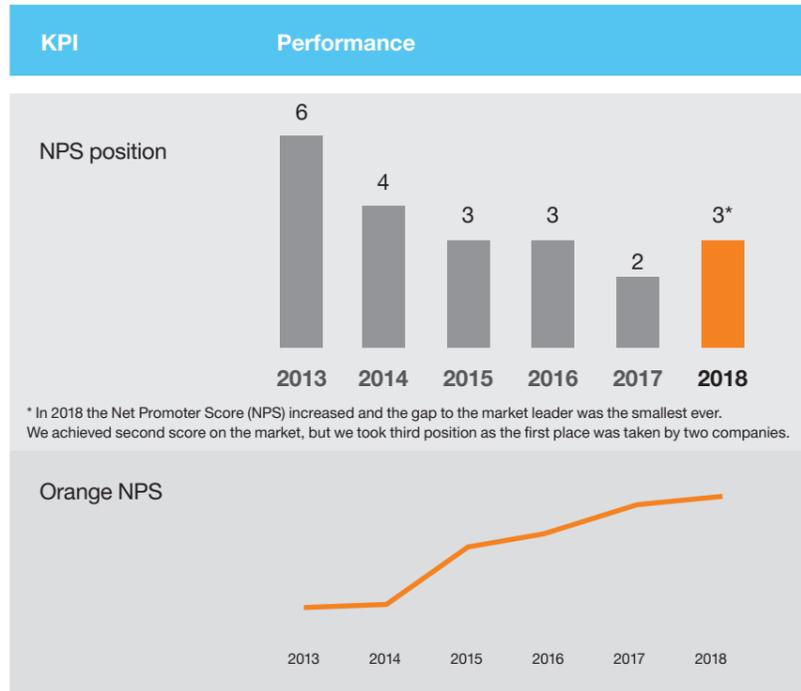
Our commitment

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.



To provide security for Internet users at Orange Polska network



Numbers of activations of our safety solutions

customers protected

over **2.5 million times**

by CyberShield in 2018



Delivering on our commitments in 2018

Focus on continuous improvement in customer experience

In 2018 we achieved our NPS (Net Promoter Score) objective and our gap to market leader was the smallest ever. We had the second overall score in the market, but we took third position as there were two operators ranked first at the end of 2018. Customers have growing confidence in us, which produces tangible benefits for the Company. It is important to note that our score has been steadily growing year-on-year. The increase in our NPS has been driven by growing sales of our fibre services and Orange Love bundle, as well as specific improvements in customer experience, including: the simplification of both mobile and fixed line offers; automation and robotisation of selected processes; increased capacity of our LTE network in 12 big cities; implementation of the Smart WiFi solution; and increased coverage of our mobile and fixed line networks (almost 11,000 LTE base stations and approx. 3.4 million households and businesses, including almost 1,500 schools, connectable with Orange fibre). We continued the high standards of customer care. In 2017 this was reflected in the Top Quality Customer Care in Remote Channels Award, which we won for our customer service through a call centre, chat, 'Our Orange' community and the 'My Orange' mobile app.

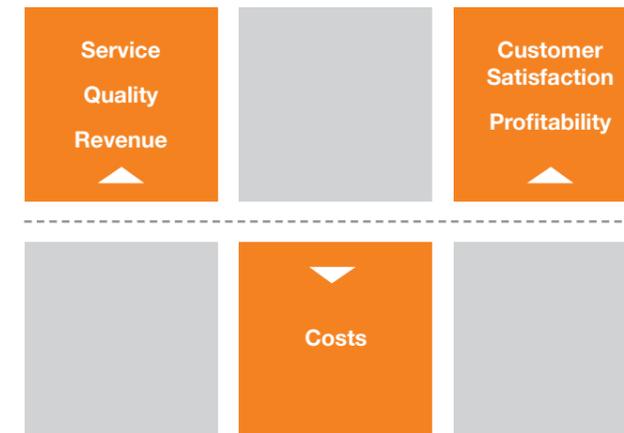
Furthermore, we received the Customer Service Quality Star for our nju offer infoline support for three years in a row. These awards vindicate the process of our transformation and our daily commitment to building customer satisfaction and loyalty.

Top standards in customer relationship management

Since 2014, 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.

The primary purpose of the COPC standard is to improve customer experience by ensuring consistency in all customer journeys and across all communication channels – both assisted (call centre, chat) and unassisted, where we offer AI-based solutions (voicebot Max instead of IVR) or self-service ('My Orange' app, e-care).

Compliance with the COPC guidelines and benchmarks results in direct benefits experienced by both customers (quality improvements and related customer satisfaction growth) and the organisation itself (cost optimisation, increased sales).



Orange Polska leads the way in implementing the COPC standard within the Orange Group, and according to auditors, "compliance with standards is part of Orange Polska's corporate DNA." In the auditors' opinion, we have very effective methods for identifying, reviewing and implementing improvements in all customer service channels.

In 2019, we intend once again to revise our procedures based on the COPC standard, in order to ensure even higher operational efficiency and to flexibly adapt to both internal and external developments.

User-friendly contact channels

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

In 2018, we introduced further improvements:

- We became the first telecom operator in Poland to implement a smart voice assistant in our call centre. It replaced a traditional IVR system (tone selection of menu options with the phone keypad). The assistant, which introduces itself as Max – the AI voice of Orange – talks to customers in natu-

ral language. If it cannot help the customer on its own, Max requests a call to a consultant, choosing one competent in the matter raised by the caller. The Max software engine is based on machine learning (ML) and natural language processing (NLP) algorithms.

- We consistently implemented our strategic aim to replace human-assisted contact channels with digital ones. Consequently, 60% of all customer interactions took place via fully digital communication channels.
- We expanded the 'Our Orange' community, which doubled in 2018.
- The effectiveness of our customer care improved. For example, in the business segment, the first contact resolution (FCR) was up 5% and the number of transfers (internally forwarded calls) decreased by 30%.
- We expanded our provision of 24-hour self-service solutions. In 2018, the volume of issues resolved by our business customers on their own, using the app, jumped 62% year-on-year.

Modern CRM systems

In 2018, more and more customers and consultants used our new sales and customer service platform OMNI, which offers convenient and effective customer care with respect to all our products, especially our flagship offer Orange Love.

Listening to feedback from our customers and consultants, we continually enhance the platform by adding new processes and increasing the ergonomics of solutions we have already implemented. As a result, the platform acts as an integrated environment, providing uniform customer experience across all communication channels (for example, offering the same automated diagnostic options for sales outlets, call centres and self-service).

As planned, we implemented a new knowledge base, which is available to both employees and customers. By providing context-based content and articles, it facilitates handling of contacts and execution of sales and customer care processes. The content is the same for both parties, which significantly enhances 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 2018.

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) malicious acts (including cyber attacks), particularly aimed at theft of personal data, or (ii) potential negligence within the Group or its external partners.

Recourse to liability proceedings is facilitated by the General Data Protection Regulation (GDPR), which became 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. In accordance with GDPR, ISO 29134:2017 and the Article 29 Working Party guidelines, we have implemented a process to identify and prevent violation of rights and liberties of data subjects. We have also delivered dedicated training for Orange Polska's employees and partners.

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 2018, the systems monitoring the Orange Polska network recorded as many as 9 billion incidents monthly, out of which 1,115 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 close to 2.6 million customers from malware in 2018 and the anti-phishing solution had been triggered 2.3 million times.

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	Performance
Indirect cost	Indirect cost in 2016 - 2018 (in PLN millions)
	2016 4,102
	2017 3,903
	2018 3,534

Delivery on our commitments in 2018

The Orange.one strategy added a new dimension to our approach to efficiency at Orange Polska. All our business decisions and actions are now driven by value creation. 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. This approach has been reflected in both our commercial activity and financial results.

In 2018 we continued with our redefined commercial approach: to become more selective and more balanced between volume and value. We focused on pushing convergence as the key commercial offer at the same time as significantly reducing handset subsidies. This approach resulted in a 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 a reduction of over 6% in commercial costs, the largest cost category.

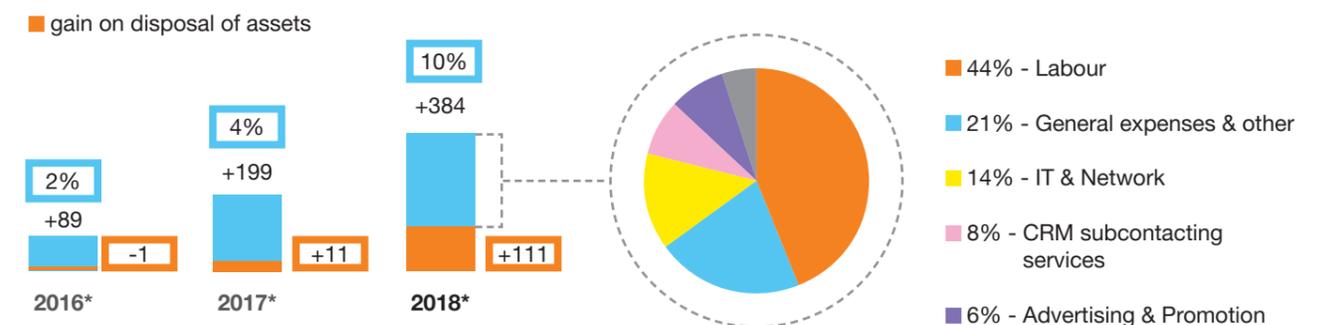
Direct margin evolution was significantly affected by turmoil on the debt collection market in Poland that resulted in lower prices for sold receivables. Excluding this effect, the direct margin trend improved, driven mainly by further reductions to handset subsidies (albeit this factor contributed much less than in 2017), our value strategy in service pricing, and the national roaming contract with Play.

In line with our strategic priorities, we have introduced a comprehensive transformation programme to simplify, and where possible to automate and digitise our business processes. We committed ourselves to cut indirect costs by 12-15% by 2020 (versus 2016). In 2018 we accelerated our optimisation of indirect costs: we cut them 10% (almost PLN 400 million) and we reached the planned target two years ahead of schedule. The savings almost doubled, year-on-year. This was a consequence of numerous transformation projects across many areas of operations (e.g. labour, customer care, IT and network, property and general expenses), and record high gains on sale of real estate. At the end of 2017 we signed a new, much more ambitious Social Plan covering 2018-2019. As a result our labour costs decreased by 7% (year-on-year).

We locate optimisation opportunities at every stage of our business model. Examples of the cost savings initiatives introduced in 2018 include:

- We were the first operator on the Polish market to introduce Artificial Intelligence. It is now used for 95% of customer interactions with Call Center
- We have just finished migration of our fixed customers to a new billing system. The old mainframe has been decommissioned.
- Paperless electronic contracts are being introduced for our customers in all distribution channels
- Our omnichannel distribution network is already supported by a brand new SAP supply chain management system

Indirect Costs (yoy change in PLN and %)



* Adjusted by PLN 94m provision reversal labour costs in 1Q '16

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.



KPI	Performance
Electricity consumption CO ₂ emission	Electricity consumption (GWh)
	2016 588
	2017 581
	2018 564
	CO ₂ emission (tonnes), Scope 1, 2
	2016 475,000
	2017 465,400
	2018 457,900
Number of recycled and refurbished devices*	Collected and recycled phones
	2016 77,542
	2017 42,869
	2018 16,034
	Refurbished and relaunched phones
	2016 11,839
	2017 8,138
	2018 5,600
	Refurbished and relaunched devices
	2016 571,981
	2017 465,994
	2018 511,000

* change in reporting for year 2016

Delivery on our commitments in 2018

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 for mobile telephony services, which is consistent with the ISO 14001 standard. Starting from January 2019, we withdrew formal certification of our Environmental Management System according to ISO14001. Nevertheless, all operational activities of the company are still conducted according to its principles.

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;
- 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'. To date, Orange Polska has launched

almost 160 such initiatives, which generated total energy savings of 256 GWh between 2014 and 2018 (and will generate savings of 139 GWh annually after all the projects are completed). It means an overall reduction in carbon dioxide emissions of 171,000 tonnes. Thanks to this programme our electricity consumption decreased by 10% between 2014 and 2018, despite our investments in the new technologies and development of new services. Without it, our electricity consumption would have increased by 10% in that period.

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 drop off old mobile phones and accessories, free of charge, in Orange stores.

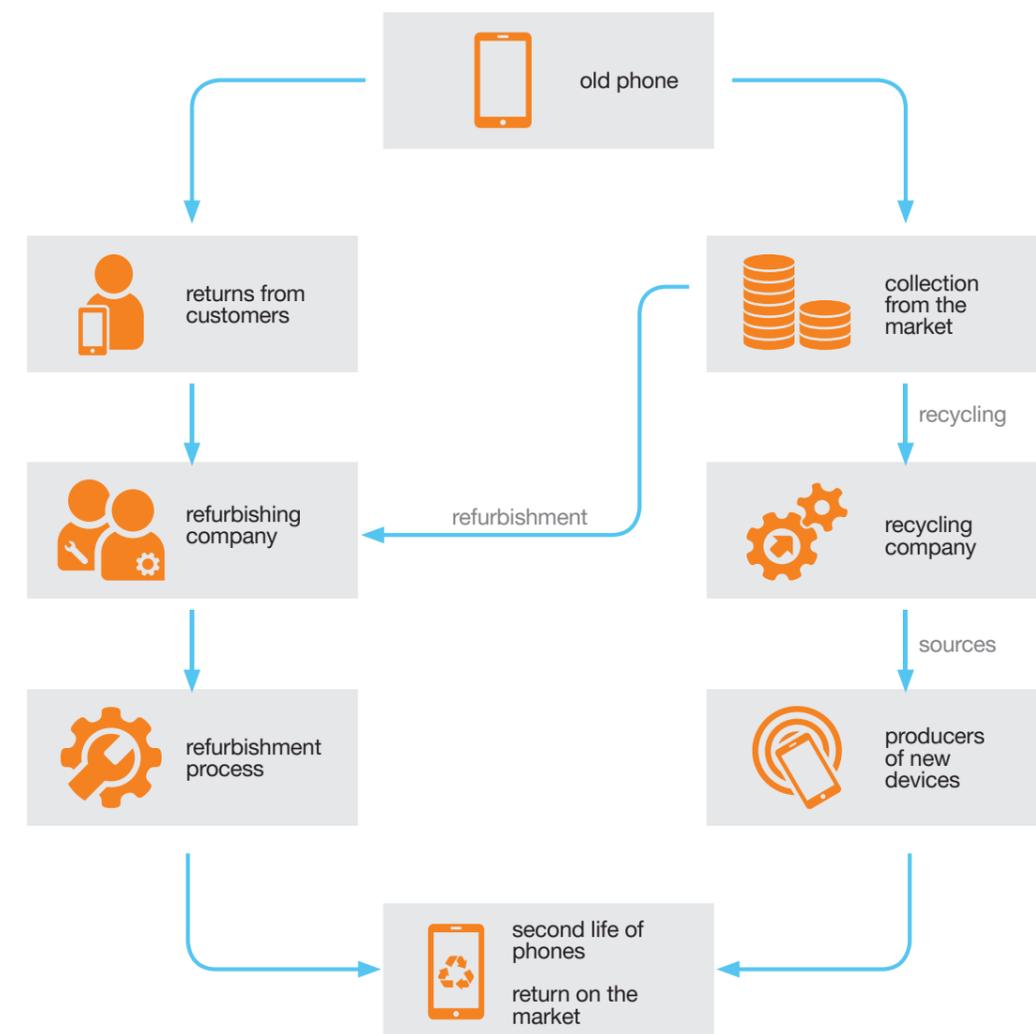
Multimedia devices, such as modems and set top-boxes, are leased to customers for the term of their telecommunication service agreements. As a result, products that have not yet come to the end of their life cycles can be reassigned to other Orange Polska customers, avoiding the need to purchase new

devices. These products are deemed to be 'as good as new' after refurbishment.

In 2018, over 280,000 modems, broadband and CPE devices were refurbished and returned to the market, which is approximately 28% of the total number in circulation in Poland. In addition, Orange Polska refurbished 211,000 units on behalf of Orange France, which is approximately 10% of returned devices in France. We also renewed 20,000 set-top boxes for Orange Senegal. In total, 511,000 devices were refurbished in 2018.

On top of our in-house refurbishment processes, with the help of our external service partner, over 5,600 mobile devices have been refurbished and put back into distribution in Poland, both smartphones and tablets.

The number of handsets collected from customers decreased in 2018. The decrease was a result of lower distribution of new devices, enhanced quality of products, mobile market saturation and elimination of gaps in the returns process. Instead, the Company is developing a comprehensive bonus system for customers returning their old phones.



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 town for 900,000 residents
To develop digital competencies among children and schools	Number of participants (schools, children) in educational programmes	200 schools and 5,000 children in MegaMission Programme 170 schools and 3,366 children in #SuperCoders programme
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) in Safety Here and There programme	872,636 children using education materials

 **7.8 bn PLN**
of Poland's GDP generated by our services

99.8%
of Poland's population covered by our 4G network 

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

117 cities
connectable with our fibre network

 **12.7 million PLN**
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

8.2 million PLN
raised for NGOs from charity SMSs sent by our customers 

872,636
children participated in educational activities organised or supported by Orange Polska

3,654
educational institutions ran social programmes supported by Orange Polska

Universal internet access contributes to equal opportunities and helps people from disadvantaged social groups to reach 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.

Delivery on our commitments in 2018

Orange Polska plays a special role in stimulating economic development. The telecommunication services and technologies that we provide are the lifeblood 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, income, age or ability, has access to the opportunities offered by new technologies.

Orange Studios

Orange Studios are public multimedia studios in small towns and villages, which we create and help to manage. Their 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.

FabLab powered by Orange

FabLab (fabrication laboratory) powered by Orange is a studio created in Warsaw by the Orange Foundation and Robisz.to Association, equipped with advanced technologies such as 3D printers, laser plotters, CNC milling machines, and electronics. With the support of instructors, participants can learn how to use these technologies creatively to create various objects - from jewellery to drones. Classes and workrooms are open to children, young people and adults, regardless of their skills and experience. FabLab also conducts the Maker Woman project, which is aimed at women entering or returning to the labour market. The main goal of the project is to prevent social and technological exclusion of women, through informal education in the field of new technologies and crafts. Activities are also directed at women who want to raise their qualifications to meet the constantly changing requirements of the labour market. Participants work on their projects with the support of mentors, creating prototypes and finished products.

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 Ministry 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.

MegaMission

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 and their teachers. Through this programme we expand educators' knowledge about the ten key areas of development of media, digital and IT competence. 200 schools and 5,000 children participated in the MegaMission classes in 2018. In 2018 we created a mobile application (MegaMisja z Psotnikami) which helps to develop children's digital competence. The application was downloaded by 5,000 users.

#SuperCoders

#SuperCoders is an education programme to teach coding, aimed at primary schools and students aged 9-12. In 2018 the programme involved 170 schools and 3,366 pupils. During the classes, children learn programming, the basics of robotics and learn about the world of new technologies not only in computer science, but also through nature, history, Polish language, English, music or mathematics lessons. Each school participating in the program receives a grant for the purchase of the computer equipment and learning tools necessary to conduct classes within the selected path. In addition, the Orange Foundation provides two teachers from each school with professional training to prepare them for conducting classes, and supports experienced educators.

The knowledge we acquired during the SuperCoders project allowed us to apply successfully for 9 EU regional grants, which enabled us to start the Code the Future programme. During this programme in 2017-2018, over 1,200 teachers and 18,000 pupils from primary schools (1st-3rd years) from small towns and villages all over Poland learnt the basics of programming and how to use digital skills in practice. Teachers and schools received tablets, robots, mechatronic sets and educational mats that will be used to teach programming in the coming years. Code the Future is a partnership programme run with the Masters of Coding Association.

Safety Here and There

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 2018 our educational materials reached 872,636 children. Adults (especially educators and specialists) can participate in conferences, seminars and workshops. In 2018, 1,104,682 of them (teachers, educators, parents) used various kinds of educational tools and materials provided by Orange Polska.

Seniors

In 2018, we took up the cause of digital inclusion for senior citizens. Following pilot classes at Orange Polska headquarters, a series of classes on new technologies for seniors was developed. As part of our cooperation with the Zaczyn Foundation, Orange Polska became a partner of the Digital Competences Festival. During the festival, we trained 20 groups of seniors, around 150 people, about the use of smartphones, mobile applications, information architecture and security, and online know-how.

We also started cooperating with the Third Age University of the Warsaw University of Technology. As part of this initiative, a course was conducted for over 100 senior citizens (it included a lecture entitled, 'How to use the internet and digital devices safely and wisely'). Then the regular classes were launched (6 meetings for 2 groups, 12 participants each), including workshops on the use of smartphones, mobile applications, Internet of Things, and information about the rules of conduct and security on the internet. The classes will continue in 2019.

Orange Fab

To promote and support start-ups, we have established the Orange Fab accelerator program. We enable start-ups to develop and become more established through access to experts as well as professional, material and financial assistance. We help start-ups to develop services and products in a huge range of fields: Customer Experience, Artificial Intelligence, Internet of Things, Big data, E-commerce, Cyber security and process automation. Every year, we review proposals from nearly 250 start-ups. Since the beginning of the program, 31 projects have already been or are being tested, and some of them have already been commercially implemented.

Smart cities, companies and communities

As a result of cooperation with start-ups and applying our own solutions in the field of smart cities – energy, water, or lighting – we are changing the way cities, companies and entire communities operate.

Smart Energy is a system that monitors, analyses and manages the consumption of electricity, helping to save energy. We developed the solution in cooperation with the Teraz Energia company. In 2018, we introduced our Smart Energy solution in fitness club chain CityFit. We have also introduced this solution to the SOLACE eco-friendly house, whose creator is Solace House, a Polish start-up with a mission to build an environmentally friendly, affordable house.

Smart Water is an intelligent utilities consumption monitor, which provides more precise water consumption measurements, helps to eliminate abuses in water intake from media recipients, allows remote meter measurement without the need for individual readings and speeds up response to failures or irregularities. Smart Water solutions are already operational in several municipalities in Poland - in Środa Wielkopolska (1,100 meters), Hrubieszów (1,500), Miłków (1,100), Józefów (3,000) and in Podkowa Leśna (1,200).

Smart Lights is a lighting management system for cities and municipalities. It provides savings by reducing energy consumption, and contributes to the improvement of residents' safety. Automation of the urban lighting system has tangible financial and social benefits: the ability to configure lighting according to the needs of residents and depending on traffic, time of day or weather; faster response to failures; and lower costs to remedy them. 'Smart' street lighting is already in operation in Piastów near Warsaw. This is a result of our cooperation with the Quantron start-up, alongside the companies BioSolution and JT Weston. The lamps reduce electricity costs by about 60%. A similar system in Podkowa Leśna allowed the city to reduce energy costs by 52%.

Sponsorship

Our sponsorship reflects the global sponsorship strategy of the Orange Group, focusing on three main areas aligned 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. We sponsor 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.

Number of people participating in Orange Warsaw Festival, Open'er Festival Powered by Orange and Kraków Live Festival



Grants

As part of our donation policy, we have adopted formal rules for using the Donation Fund. We follow 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 a 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* <small>* excluding NetWorkSI</small>	2016	15,537
	2017	14,587
	2018	13,197
Share of women among managers	2016	33%
	2017	33%
	2018	33%
Number of training hours per year per employee	2016	35h
	2017	32h
	2018	25h
Employees satisfaction ratio (International Social Barometr) <small>(on a scale from -100 to +100)</small>	2016	36.1
	2017	31.5
	2018	31.1

Delivery on our commitments in 2018

As an employer, Orange Polska strives to combine the best of both digital and human approaches. Our goal it is to enable employees to contribute to our company's transformation, for the benefit of the customer experience. In 2018 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. One of Orange Polska's goals is to be the company most preferred by employees. In response to our employees needs we promote a proactive approach and open discussion. OrangePolska encourages all employees to cooperate - to be transparent, straightforward and honest to each other.

New organizational culture of Orange Polska

We are building our organisational culture in open dialogue with our employees. We invited all our employees to express their opinions in the companywide Organisational Health Survey. The results of this survey showed our strengths and weaknesses and helped us to diagnose and set the main directions for change in our organisational culture. In order to maintain the company's leading position on the telecommunications market, it was necessary to focus on strengthening employee engagement and creating better conditions for their development and sense of satisfaction. Thanks to this, we were able to create an organisational culture which supports the implementation of our strategy and strengthens the involvement and development of our employees and managers.

Initiatives introduced in 2018:

- Starting to build a feedback culture through: feedback 360 for all employees; feedback rituals – summarising meetings; monthly Pulsometr – a team feedback survey focused on the atmosphere and achieving goals.

- Leader.One: a development programme for managers, supporting them in becoming effective and supporting their team leaders. The programme continues in 2019.
- Two-way, open internal communication: new communication formats (#bezcukru – regular meetings of the board member with employees, #wtopy – meetings devoted to discussing and learning from mistakes); encouraging more and more employees to use Piazza. Usage of this internal social network increased by more than 50% in 2018 (from 10.5k unique users in 1Q 2018 to 16.4k in 4Q 2018).
- Mobility 2.0: a programme facilitating the internal professional mobility of employees and creating new development opportunities for them. The programme continues in 2019.
- 'Strong for the customer' training for all employees and co-workers of Orange Polska, devoted to increasing awareness about the importance of cooperation between all company units in order to build customer loyalty. The training continues in 2019.
- Oz: dedicated platform for employee innovation and collaboration. In 2018, more than 298 employees created 448 ideas on Oz. The platform also attracted 10.4k votes and 4.6k comments. We also collected another 187 ideas in two Innovation Challenges.

Orange Polska again among top employers

In 2018 we built Orange Polska's reputation as one of the best employers in Poland. We received several awards, including the Top Employer Polska certification, Top Employer Europe and Top Employer Global. 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 aims to bolster the pursuit of our business objectives, address changes in the labour market and respond to the expectations 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, psycho-physical skills and (dis)abilities, and parental status. Other diagnosed dimensions include: religion/beliefs, workplace location (HQ vs. region), type of employment, and nationality/ethnic origin. With respect to administering, managing and supervising bodies, the rules specified in the Policy include proper selection of employees and leadership. In the recruitment process, we follow transparent rules and criteria for candidate selection. Decisions to recruit particular persons 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.

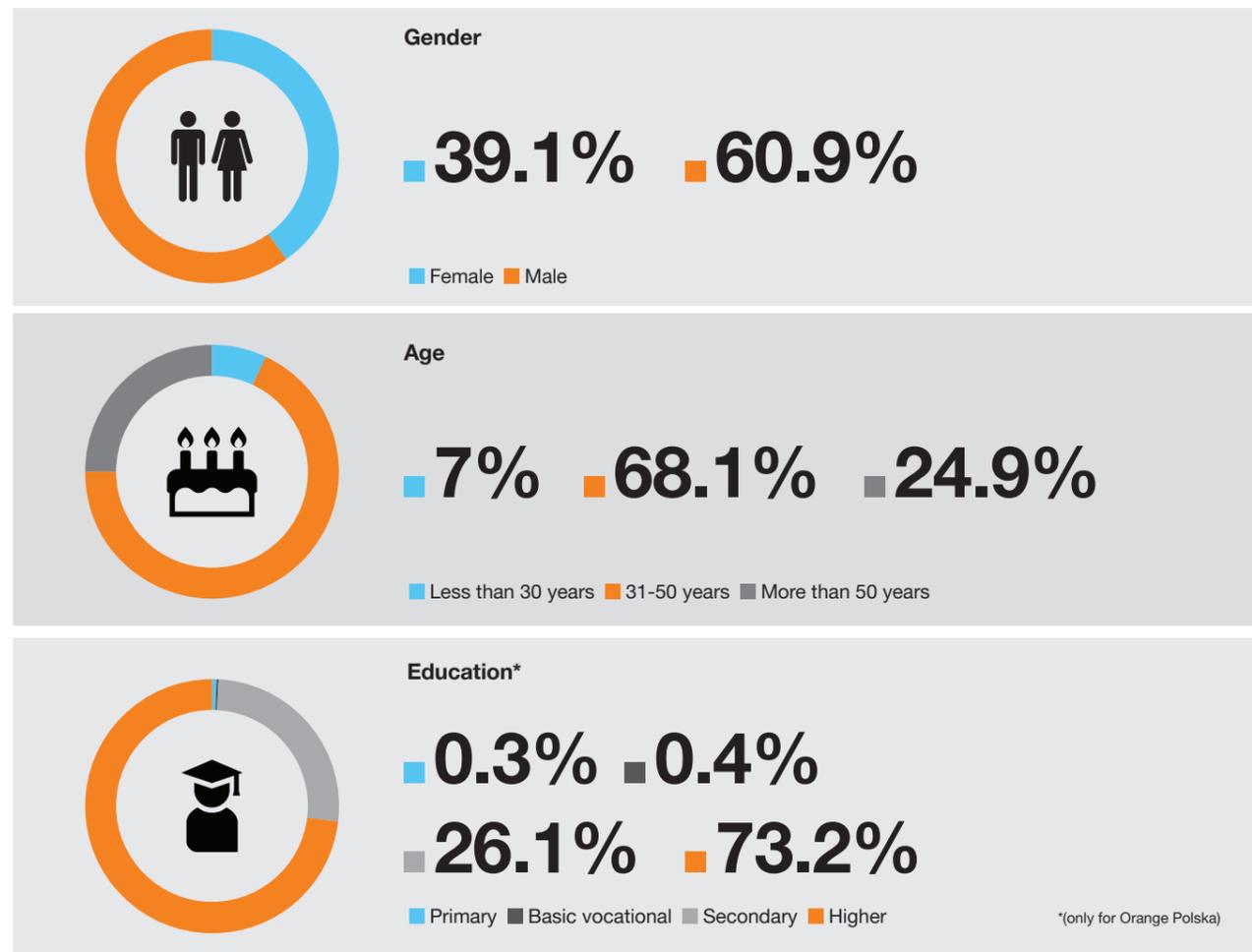
The duties and responsibilities as well as the requirements related to qualifications, expertise and competence of Supervisory Board Members are specified in the Company's Articles of Association. In addition, Orange Polska S.A. applies the provisions of the Best Practice for WSE Listed Companies 2016.

The Supervisory Board currently consists of fourteen members, including four independent members. They are appointed by the General Assembly (or, in exceptional cases, by the Supervisory Board). There are two women on the Supervisory Board.

The Management Board currently consists of eight members, including the President. They are appointed by the Supervisory Board. There are two women on the Management Board.

Orange Polska is signatory to and a guardian of the Diversity Charter. The Diversity Charter is an international initiative implemented in 17 Member States of the European Union. The Charter is a written declaration, signed by organisations, companies and institutions that undertake to prohibit discrimination in the workplace and take measures to create and promote diversity, and express readiness to involve all employees and business and social partners in these activities. Organisations who decide to implement this tool work for cohesion and social equality.

Total employees by:



Development and Training

We have a number of development programmes designed to develop competences and prepare employees to face the Group's strategic challenges.

All employees can increase their qualifications by using numerous products that vary in form and topic: e-learning courses, online language classes, webinars, films, audiobooks and workshops. We have been developing specialist competencies in different areas through the Professional Schools initiative. We promote knowledge sharing through various programmes, such as Knowledge Highway, which supports the development of know-how sharing culture among Orange Polska's internal experts. We have a programme for identification and development of management talents, which supports people with initiative, concrete achievements and leadership potential. We also train outsourced staff in knowledge specific to Orange Polska and necessary to perform their duties.

Since 2011, we have carried out an international development programme, Orange Campus, to promote uniform management standards across the Orange Group. In an attempt to change culture, we launched the Leader.One initiative dedicated to Orange managers. It involves a series of workshops and a manager community on our internal social networking site (Plazza).

The Company follows the employee Development & Assessment (D&A) process, which combines annual evaluation results with the employee's career development plan; it also involves progress monitoring throughout the year. In 2018, we introduced a new approach to evaluation and development, as well as voluntary participation. For the first time 360 feedback was offered to all employees based on criteria crucial for cultural change implementation. This was followed by designing individual development goals and plans. At this point, 75% of employees have these goals and development tasks already defined. Implementation of the 360 process was at the level of 66%, which means that over 113,000 questionnaires were filled and almost 13,000 reports were generated. A major element supporting the feedback culture is the monthly Pulsometr opinion poll, in which individual teams can offer feedback and suggest changes.

Development opportunities are supported by the Mobility programme; we also provide a tool with which employees can express desire for change of their professional roles and managers can provide information about vacancies in their respective areas.

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:

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

- Orange Polska employees are offered broad medical services at LUXMED Group clinics and partner medical facilities nationwide;
- Orange Polska's 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;
- Orange Polska's 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.

All employees are eligible for variable bonuses, which depend on work results and are 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. We care about the health of our employees, including those with special needs. Our 'Yes to Health' programme aims to create an open and friendly work environment, particularly for employees with recognised disabilities. As part of our support, we provide this group of employees with an extra medical package, places in car parks and additional workplace equipment (massage mats, larger screens); we also adapt workplaces to the special needs resulting from their disabilities. Furthermore, such employees receive financial benefits.

Continuing workforce optimisation through social dialogue

We respect our employees' right to associate and we are in regular, broad dialogue with our social partners. As part of a dialogue within Orange Polska, 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. We also have the Employee Council in Orange Polska. 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 Social Agreement (developed in consultation with trade unions), which remains valid in 2018–2019, addresses particularly the following issues: investments in a friendly work environment, pay rises in 2018 and 2019, financial compensation for employees leaving Orange Polska and support for outplacement. In 2018, 52% of people who participated in the outplacement programme found new employment and 26% are still continuing the programme. Under the Settlement for 2018, up to 1,450 employees of Orange Polska were eligible for the voluntary departure package in 2018. In December 2018, the Settlement for 2019 was concluded, determining the detailed terms of voluntary departures of Orange Polska's employees in 2019. In addition, there is a Collective Labour Agreement at TP Teltech Sp. z o.o.

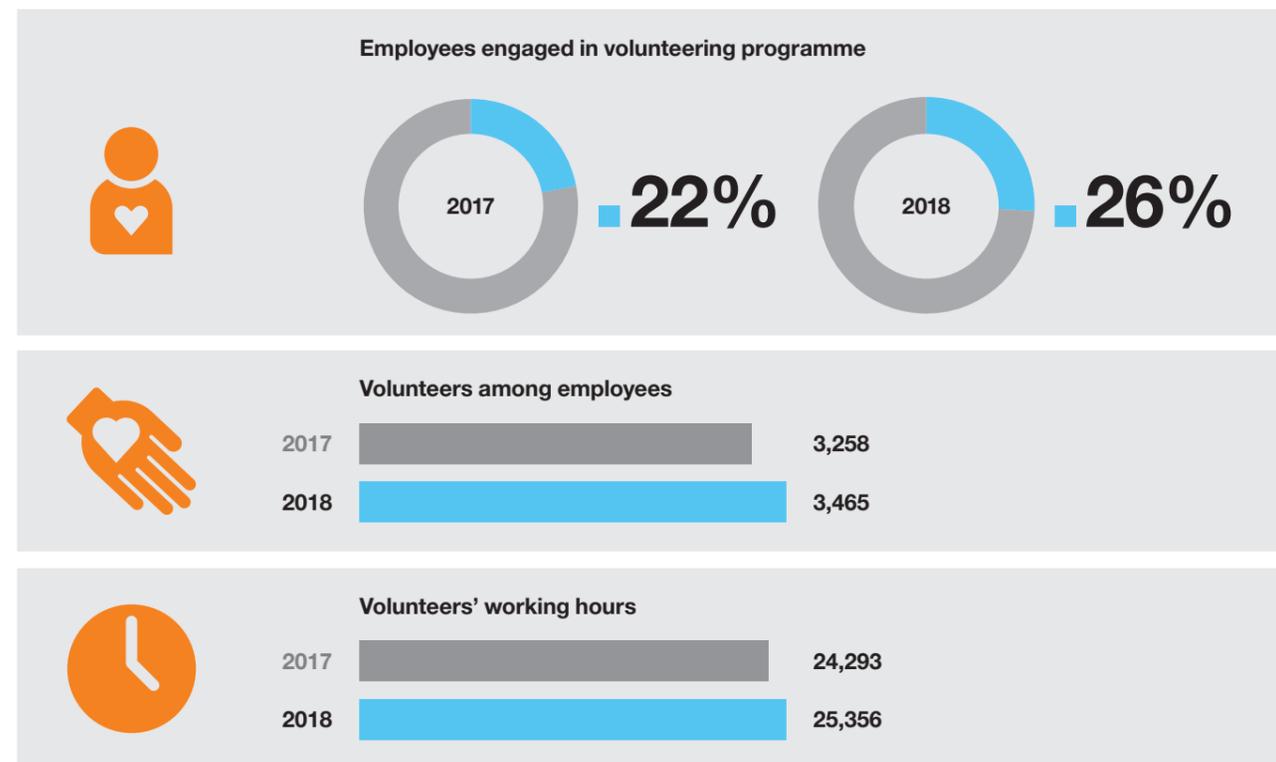
Volunteering programme allows socially engaged people to share their knowledge and positive energy with others

Orange Polska has the biggest employee volunteering programme in Poland. It has been running for over 15 years. It is organised

by the Orange Foundation in Poland and engages over 3,000 volunteers each year. The programme is based on "competence volunteering". Our employees share their knowledge, skills and experience and teach children how to use the internet safely and wisely, how to program and how to use new technologies creatively to develop the potential of kids. Every year during the "Christmas with Orange Foundation" campaign, our volunteers play Santa and visit kids in hospitals and orphanages. We invite our volunteers to get involved in two programmes 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). Each Orange volunteer is welcome to 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



Financial review in 2018

Financial Key Performance Indicators (KPIs)

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

KPI	2018 Outlook and guidance	Performance	2019 Outlook and guidance	
Adjusted Revenue (In PLN millions)	Supported by national roaming contract with Play Further focus on convergence strategy Legacy revenue (PSTN, wholesale) in continued structural decline	Adjusted Revenue (IAS 18)	11,538 11,381 11,296	Growth vs 2018
		Mobile-only services	3,893 3,373 2,920	Further focus on convergence and value strategy
		Fixed-only services	3,067 2,748 2,483	Legacy revenue (PSTN, wholesale) in continued structural decline but at a diminishing pace
		Convergent services B2C	830 1,068 1,388	
		Equipment sales	991 1,256 1,301	
		IT and integration services	414 493 589	
		Wholesale	2,030 2,140 2,308	
Other	313 303 307			
		2016 2017 2018		
Adjusted EBITDA/EBITDAaL* (In PLN millions)	Around PLN 3.0 billion stable vs 2017 (under IAS18 accounting standard and around PLN 2.75 billion under IFRS 15 accounting standard)	Adjusted EBITDA margin	29.7% 27.4% 26.5% 27.5%	EBITDAaL* growth versus 2018 (2018 comparable base: PLN 2,811mn)
		Adjusted EBITDA (IAS 18)	3,517 3,163 3,011 3,104	
Adjusted CAPEX (In PLN millions)	Around PLN 2.0-2.2 billion, including around 0.7-0.8 billion on fibre rollout (c.1m new households connectable in fibre)	% of revenue	16.9% 17.3% 17.0% 19.9%	Around PLN 2.0-2.1bn, including 0.7-0.8 bn on fibre rollout (0.8-0.9m new households connectable in fibre)
		Adjusted CAPEX	1,998 2,001 1,933 2,250	
Adjusted Organic Cash Flow (OCF) (In PLN millions)		Adjusted OCF	2015: 962 2016: 620 2017: 111 2018: 453	
		Net debt/adjusted EBITDA	2015: 1.1 2016: 2.1 2017: 2.2 2018: 2.2	Net debt /EBITDAaL* Decreasing on comparable basis (2.4x in 2018)
		Dividend Per Share (DPS) (PLN)	2015: 0.5 2016: 0.25 2017: 0 2018: 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)			As we prioritise investments in long-term value creation and also taking into account uncertain outlook regarding 5G spectrum allocation, the management will not recommend paying any dividend in 2019 (in line with what was stated during strategy presentation in September 2017)

*EBITDAaL - EBITDA after leases, an alternative performance measure to report operating profitability under IFRS16, please see application of IFRS16 in Orange Polska on p.76

Revenue evolution improves driven by convergence

In 2018, we changed the layout of our revenue reporting. The new layout better reflects our commercial strategy, which is focused on convergent offer sales. Consequently, we now report convergent revenues separately from revenues from mobile-only and fixed-only services (i.e. sales to non-convergent customers).

Revenues (under IAS18 accounting) totalled PLN 11,296 million in 2018, down PLN 85 million or 0.7% year-on-year.

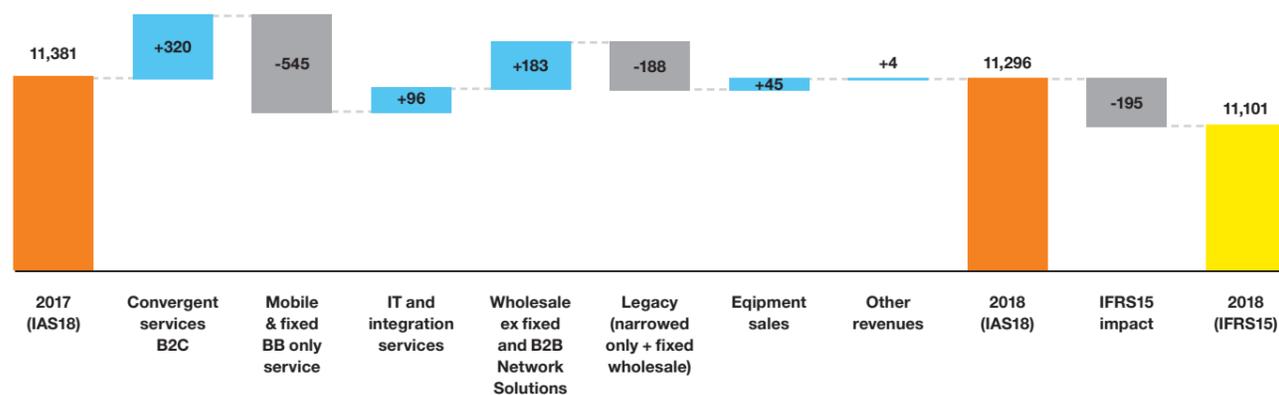
The rate of decline was much lower than in 2017 (when revenues fell 1.4%). The trend improvement may be attributed mainly to the following factors:

- strong growth of convergence revenues, driven by customer base expansion and ARPU stabilisation;
- a lower decline in fixed-only services, mainly as a result of stabilisation of revenues from network solutions for business customers; and
- an almost 8% increase in wholesale revenues, benefitting mainly from a national roaming contract with Play and growth in international interconnect.

Convergence drives revenue trend improvement. In 2018, convergent revenues increased 30% year-on-year, which was a similar rate of growth to 2017. This was accompanied by a decrease in mobile-only and fixed broadband-only revenues (down 13.4% year-on-year) as a result of migration to convergent offers, service pricing that reflected our value focus, and market competition.

However, it is important to underline that the improving growth rate of convergent service revenues increasingly offsets the decline of mobile-only and fixed broadband-only revenues. Combined revenues from these categories were down 4.1% year-on-year in 2018, as compared to 6.5% year-on-year decline in 2017. In 2018 average revenue per convergent offer declined by approximately 4% year-on-year. This decline was much lower than in 2017, when it fell by 12%. The improvement in the trend is attributable to successful upsell of additional services and proper value management in pricing our Orange Love offer.

Adjusted revenue evolution (y-o-y change, in PLN millions)



Blended ARPO from mobile-only services amounted to PLN 21.6 in 2018 and was down 6% (year-on-year). The decrease resulted from a combination of an improvement in pre-paid ARPO and an approximately 10% decline in post-paid ARPO.

The post-paid ARPO decline was lower than in 2017, when it amounted to 13%. The decline can be attributed to the following factors:

- growing take-up of SIM-only offers;
- popularity of family offers, in which customers get several SIM cards and which involve price discounts;
- substantial decrease in mobile broadband ARPO, resulting from much lower take-up of this service;
- price competition.

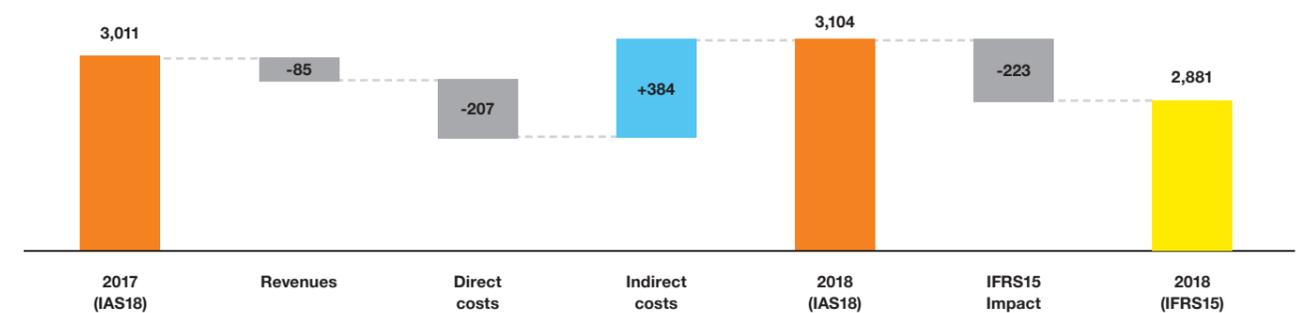
Revenues from IT and integration services maintained a high growth rate (19% year-on-year). This is consistent with our strategy, which sees strong growth potential in this area. The key growth engines are projects involving provision of professional services to the largest companies sector and an increase in public procurement.

On the other hand, there was a major slowdown in growth of mobile equipment sales. In 2018, this category increased 3.6% as compared to a 27% growth rate in 2017. The earlier growth was driven by popularity of instalment schemes for handsets. Currently, the mobile customer base is saturated with instalment offers. Furthermore, the trend was negatively affected by our implementation of a value-driven strategy, involving a radical reduction in handset subsidies, which resulted in a considerable rise in unit sales prices accompanied by a decline in sales volume. This strategy led to an improvement in EBITDA, but had a negative impact on mobile equipment sales. However, the growth rate in this revenue line improved in the second half, mainly as a result of introducing an option of instalment sales at any point during the lifetime of the service contract.

2018 adjusted EBITDA (under IAS18 accounting) grows for the first time in 12 years and proves our strategy is being executed well in a challenging environment

Total operating costs (defined as adjusted EBITDA less revenues) fell by 2.1% year-on-year. As the decrease exceeded revenue erosion, adjusted EBITDA increased by 3.1%. It should be emphasised that this is the first time in twelve years that Orange Polska has reported adjusted EBITDA growth. The adjusted EBITDA margin stood at 27.5% and was up 1.0pp year-on-year. The margin improved despite continued structural pressure on high-margin traditional fixed line services (mainly fixed line voice services), as any decrease in these services is almost entirely reflected in profit erosion. The margin improvement was a result of the convergence strategy implementation, monetisation of fibre investments, focus on value creation, considerable optimisation of operating costs and higher gains on disposal of assets.

Adjusted EBITDA evolution (y-o-y change, in PLN millions)



Bottom line evolution reflects much higher reported EBITDA

Net income for 2018 stood at PLN 190 million (under IAS18 accounting) versus a net loss of PLN 60 million in 2017. Significant improvement is mainly a consequence of much higher reported EBITDA which in 2017 was affected by provisions related to Social Agreement PLN 204 million). Net financial expense was at a similar level to 2017. Higher income tax is a consequence of higher pre-tax profit and also higher non tax-deductible costs.

2018 capex at its peak and consistent with strategy

In 2018, Group's adjusted capital expenditure amounted to PLN 2,250 million and was higher by PLN 317 million year-on-year. The majority of the growth was related to connectivity investments that are essential to the success of our strategy.

The Group invested mainly in the following areas:

- rollout of the fibre access network as part of the planned investment programme, which covered 0.9 million households in 2018 (including the lines developed in 2014 to 2017, there are now almost 3.4 million households connectable within the fibre network, available in a total of 117 cities compared to 75 cities at the end of 2017);
- 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

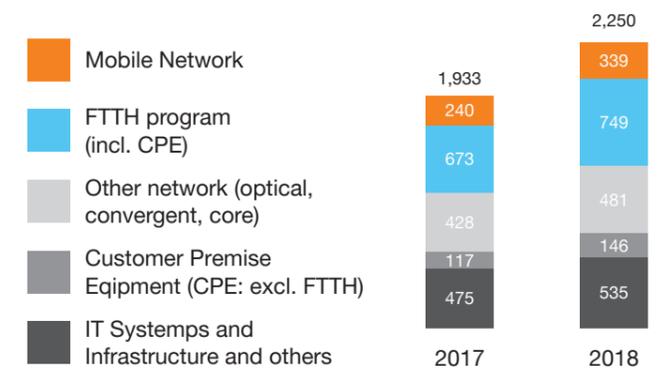
Cost evolution can be attributed mainly to the following factors:

- a decrease of 6.3% in commercial expenses, resulting mainly from the 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;
- a decrease of 7% in labour costs, mainly owing to workforce optimisation related to the implementation of the new Social Agreement;
- a decrease of approximately 7% in network and IT expenses, resulting from savings in energy consumption, network maintenance and installation costs; and
- an increase of 8% in other external purchases, driven by purchase costs of energy for further resale (related to higher revenues in this segment) and content costs (resulting from TV customer base expansion). The increase in these cost items exceeded savings generated mainly in real estate maintenance and general administration costs.

to the 4G technology requirements, particularly in 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; and
- investment projects related to portfolio development and sales and customer service processes as well as the modernisation and enhancement of the IT technical infrastructure.

Split of adjusted CAPEX (In PLN millions)



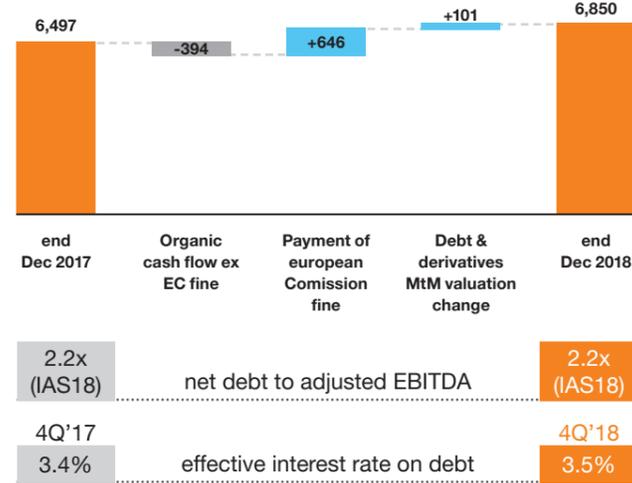
Adjusted Organic Cash Flow improves thanks to better working capital and higher EBITDA

Adjusted organic cash flow for 2018 came in at PLN 453 million and increased significantly versus PLN 111 million in 2017. The most significant factor behind this improvement was the receipt of PLN 275 million from T-Mobile related to the wholesale agreement signed in July. Organic cash flow was also supported by better operating cash flow (resulting from higher EBITDA and lower working capital requirement) and proceeds from disposal of assets (up by PLN 43 million year-on-year). Capital expenditure cash outflows were PLN 2,161 million in 2018, up PLN 95 million year-on-year, as a result of higher capex.

Leverage ratio at 2.2x

Our net debt in 2018 increased by around PLN 0.35 billion to PLN 6.85 billion, mainly due to the payment of a European Commission fine. Despite higher debt, the leverage ratio remained unchanged at 2.2x at the end of 2018, as higher debt was offset by growth of EBITDA. Our debt was fully hedged against currency movements and we increased the share of debt based on a fixed interest rate, to 93% from 78% at the end of 2017, as we anticipate higher interest rates in the future.

Net debt evolution (in PLN millions)



Management proposes no dividend payout in 2019

In line with our statements during the Orange.one strategy presentation in September 2017, the management will once again recommend not paying a dividend in 2019. On the one hand, we will continue to invest in our fibre network rollout at full speed. On the other hand, we still await clarity regarding the outlook for 5G spectrum allocation.

Application of IFRS16 in Orange Polska

From 2019, Orange Polska will report its financial results under the new accounting standard IFRS16. The key objective of the new standard is to provide a single accounting method for all lease contracts. All contracts currently defined as finance leases or operating leases will be accounted for in the same way as finance leases are today. In the P&L, expenses related to operating

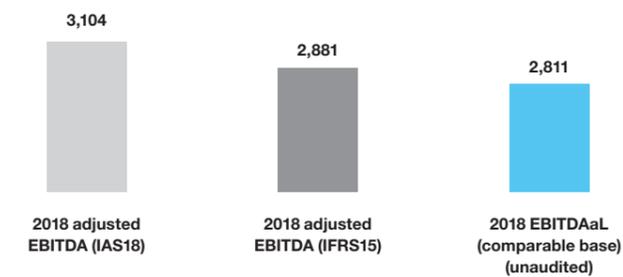
leases - currently booked as operating costs - will be booked below EBITDA under IFRS16 (as amortisation of the right of use and lease interest expense). The implementation of IFRS16 does not change the business fundamentals and sources of our value generation. In our view, expenses related to leasing contracts are part of operating activity and operating profitability. Therefore we decided to create an alternative performance measure to report operating profitability under IFRS16. It is called EBITDAaL, which stands for EBITDA after leases. EBITDAaL will add back in the right-of-use amortisation and lease interest expense related to both finance and operating leases. In our view, EBITDAaL will more accurately reflect the way the Company is managed internally, compared to EBITDA derived directly from the IFRS16 income statement.

EBITDAaL under IFRS16 is quite similar to EBITDA under IFRS15. The differences relate to: (1) impact of contracts previously accounted for as finance leases and (2) IFRS16 impact of discounting effect on contracts previously accounted for as operating leases.

The EBITDAaL approach has a minor impact on other alternative performance measures: capex, net debt and organic cash flow. Including finance leases in EBITDAaL as operating costs requires that finance leases are no longer part of capex and net debt. On the other hand our organic cash flow definition will now include payments of finance lease liabilities. These were previously included in repayments of financial debt,

In the table below we provide our estimate for EBITDAaL for 2018 in order to provide a comparable base for performance in 2019.

(in PLN millions)



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



Appetite for risk

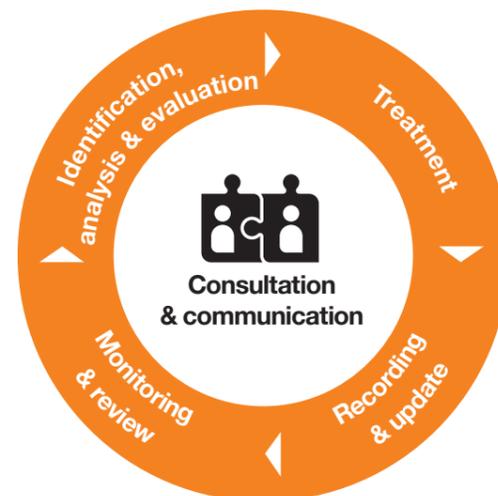
We assess event-based risks according to their likelihood and impact in terms of financial, reputational, business continuity and human resources loss. If the consequences are, for example, both financial and reputational, the risk is assessed according to the most negative consequence. When the negative impact of a risk is assessed as exceeding the acceptable level, mandatory mitigation measures are put in place 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

A 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 is shown in the diagram on the right.

The risk management process in Orange Polska



Reporting

Indicative heat maps are used to report and evaluate risks.

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

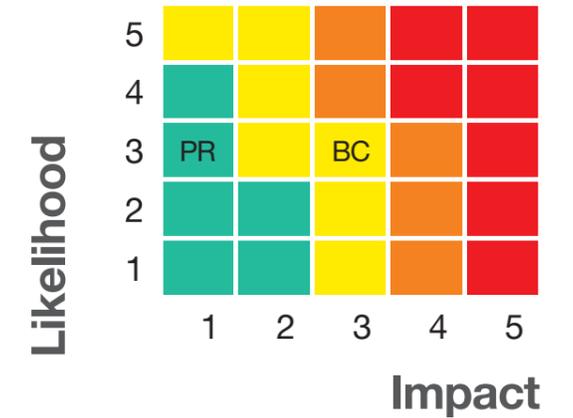
The TOP risks, which are set out in the table on pages 82-85 are clusters of event-based risks that could have a material impact on the business model, future performance, solvency or liquidity of the Group. In each case, the extent to which the Management Board can mitigate the risk is highlighted.

The risk areas included in the TOP list are those which most strongly define our business activities and contribute to the loss or gain of value, and they are subject to change. For example, in 2018 we determined that the risk related to labour shortage had been sufficiently mitigated by our remedial actions, and could be delegated to the respective business areas. We also identify and monitor risks related to our impact on society and the natural environment. However, these are not included in the TOP risks as they do not meet the threshold for value impact.

Risk exposure

Each category's current exposure relative to the previous year is indicated by the arrow in the risk exposure column.

Sample heat map



FN - financial;
 HR - human resources;
 PR - reputational;
 BC - business continuity;



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.

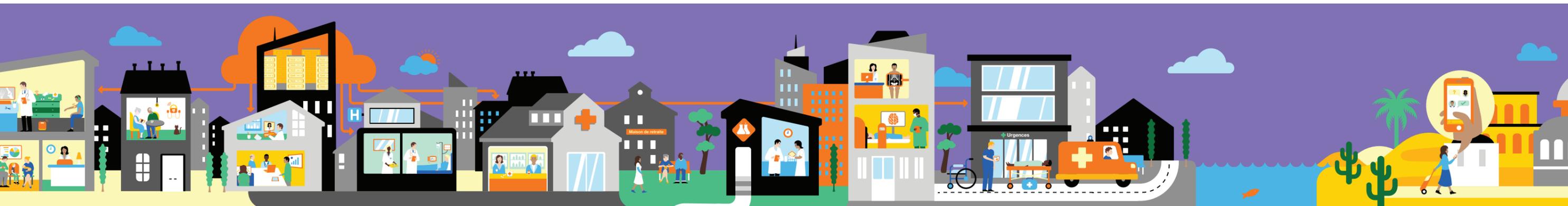
▲ Increasing ▼ Reducing ▶ Stable

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.</p> <p>The rapid growth in broadband use (both fixed and mobile) and emergence 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.</p> <p>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.</p> <p>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 electricity supply.</p>
<p>Service disruption or interruption may occur following (i) cyber-attacks (on the IT&N infrastructure), (ii) outages (of hardware or software), (iii) human errors, acts of terrorism or sabotage of critical hardware or software, (iv) failure of a critical supplier, or if the network in question does not have sufficient capacity to meet the growing usage needs, or (v) 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 insurance schemes (covering cyber and terrorism risks) 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 in the scope of provision of telecommunication, ICT and cybersecurity services.</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.</p> <p>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 holds an Information Security Management System certificate of compliance in line with ISO/IEC 27001:2013, for the scope of services of ICT, hosting, collocation, cloud computing, cybersecurity and personal data processing in cloud computing.</p> <p>In addition, Orange Polska holds a certificate of compliance with ISO/IEC 27018:2014 Code of practice for protection of personally identifiable information (PII) in public clouds acting as PII processors; it covers personal data processing services in cloud computing via UCaaS (Unified Communication as a Service), ICS (Integrated Computing Standard), ICM (Integrated Computing Managed) and smart CCaaS (smart Contact Center as a Service) cloud computing.</p> <p>Furthermore, the Company holds and maintains FIRST and Trusted Introducer certificates for CERT Orange Polska.</p>

Risk exposure

Risk area	Main business objective / Strategy reference	Risk exposure	Key risks, issues or areas of uncertainty
<p>Financial risk</p> <p>Risks related to financial markets</p>	Acting in effective and responsible manner	▶	<ul style="list-style-type: none"> ■ Increase of interest rates ■ Appreciation of the local currency
<p>Corporate governance and regulatory, tax and legal environment</p> <p>Regulatory obligations resulting from legislation changes and administrative decisions</p>	Acting in effective and responsible manner	▲	<ul style="list-style-type: none"> ■ Fixed Termination Rate (FTR) cuts ■ Risks related to acquisition of new spectrum for high-tech telecommunications services (including 5G) ■ Proceedings by UOKiK and European Commission related to network sharing ■ Financial corrections with regard to POPC ■ 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
<p>Exposure to electromagnetic fields</p> <p>Exposure to electromagnetic fields (EMF) from radio equipment</p>	<p>Unmatched data connectivity for households and businesses</p> <p>Acting in effective and responsible manner</p>	▶	<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

Potential impact	Management approach and mitigation measures
<p>The Polish Central Bank's policy did not change in 2018 and interest rates remained stable at a historic low. The market expects that the The Monetary Policy Council will keep interest rates unchanged in 2019, while taking steps to prepare the market for increases in 2020.</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>There is a risk of failure to achieve the expected return on investment due to decrease of co-financing with regard to POPC.</p> <p>Despite Orange Polska's drive to strengthen its anti-corruption policy, corruption cases could occur due to the number of partners engaged and complex processes performed. This could have an adverse impact, particularly on Orange Polska's</p>	<p>In 2018, there were a number of changes in the legal environment with respect to both general law and provisions specific to the telecom sector. The legal and regulatory environment requires constant and diligent monitoring, as well as allocating resources to implement new regulations and prevent any noncompliance.</p> <p>Orange Polska has implemented an 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 corruption risks. In addition, we have carried out a number of 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 EU 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</p>





**Corporate
governance**

Our approach to corporate governance

Dear shareholders,

2018 was a very successful year for Orange Polska. It was the first full year of implementation of the strategy adopted in September 2017, which is aimed at achieving turnaround at the Company and establishing a business model that will allow it to grow on sustainable basis. Last year's results proved that the strategy – based on convergence, rollout of the fibre network, developing adjacent business lines and increasing efficiency – is working well. Revenue trend visibly improved, while adjusted EBITDA was higher year-on-year for the first time in 12 years. This was a stronger performance than the stabilisation that the management promised to the market. It should be noted that it was achieved without increasing expected capital expenditures, or changing the level of financial leverage. This speaks for itself, especially since the Polish telecom market remains very competitive and the Supervisory Board assessed last year's financial performance of Orange Polska very highly.

Last year the Management Board also proved that it can successfully explore new business opportunities, signing a wholesale agreement to give another operator access to our fibre network. In the opinion of the Supervisory Board, this cooperation will contribute to faster monetization of Orange Polska's investments in the fibre network and accelerate convergence of telecom services based on fibre in the Polish market.

During the last 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. At each meeting, the Supervisory Board discussed in detail the Company's current financial and operational results in comparison to the budget adopted at the beginning of the year. More details of the Supervisory Board's assessment of Orange Polska are presented further in this chapter.

The frequency of the Supervisory Board and its committees' meetings mean that we are in close contact with the Management. In 2018, five Supervisory Board meetings, a one-day off-site Orange innovation conference, and 14 meetings of the Supervisory Board's committees took place. The overall average participation rate was 95.9%. Written votes were used on two occasions when resolutions were required between meetings.

In recognition of their competence and commitment, as well as emphasising the importance of strategy implementation, social responsibility and network development to Orange Polska, the Supervisory Board appointed Witold Drożdż and Piotr Jaworski as members of the Management Board in October last year. Also, to recognise his leadership and huge commitment to the effort of the ambitious turnaround strategy, the Board reappointed Jean-François Fallacher for the next term as the CEO of Orange Polska before the expiration of his current term of office.

Looking forward to 2019, in the opinion of Supervisory Board, the Management should stick to the priorities outlined in the Orange.one strategy, take advantage of Poland's favourable macroeconomic situation, and prove that it is able to sustain the good momentum from 2018. One topic that will gain in

importance is preparation for the advent of 5G technology; this will involve a lot of business decisions and cooperation with the Polish authorities regarding their 5G strategy.

I am convinced that Orange Polska's strategy and the prudent actions of the Management Board supported by the Supervisory Board will enable the Company to return to sustainable growth, and that in due course this success will be shared with shareholders in the form of dividends.

Maciej Witucki
Chairman of the Supervisory Board



Letter from the 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 team together with other 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 2018, the Company held four results presentations. During the year, the Company had around 150 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 2018, 15 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 11, 2018, 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.

Our activity in Investors Relations area is appreciated by the market. Our 2017 Integrated Report was voted the best in Poland in a contest organized by Warsaw Stock Exchange and the Responsible Business Forum. It also received a special award from the Institute of Accountancy and Taxes for the most useful value it gives. In 2018 Orange Polska's Investor Relations team won second place in the Communications sector in the IR Magazine Awards – Europe.

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 the created value in a fair and sustainable manner, as 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 appointments 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 2018, the Company complied with 90 out of 91 recommendations and principles. 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:



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 Assembly
- 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 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
- 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

- 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
- 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
- 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
- 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





- 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
- not to be a member of the Supervisory Board of the Company for more than twelve years
- 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
- 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:

- covers in particular any participation in a share option or any other performance-related pay scheme
- 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

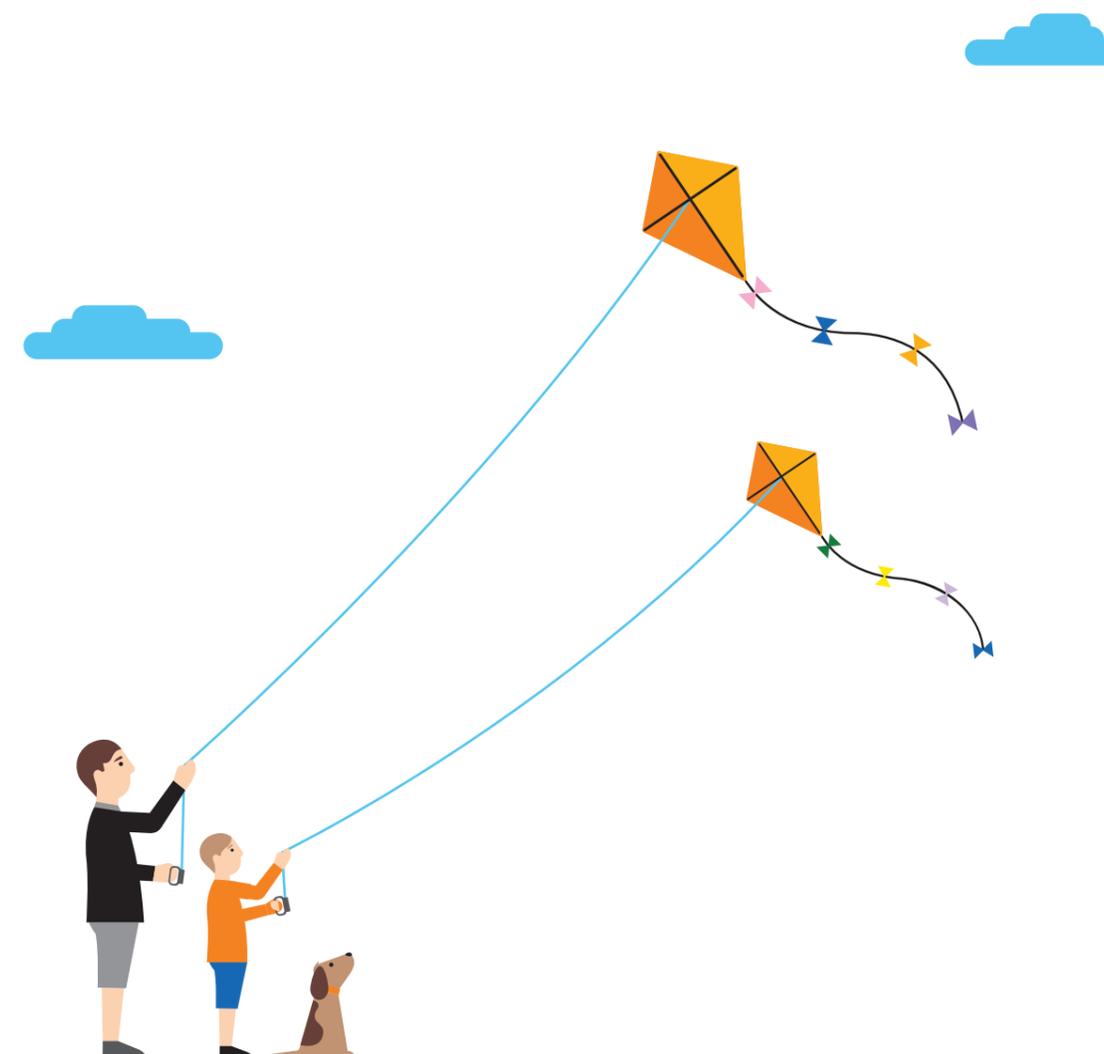
Each member of the Supervisory Board should take appropriate action to prevent and resolve conflicts of interest and is obliged to promptly inform the Chairman about all conflicts of interests which have arisen or may arise. Also he/she is obliged to inform the Company immediately about the existence 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 2018

Ownership structure
Interest in Share Capital (%)



■ Orange SA ■ Other shareholders

Number of shares held*

664,999,999

Orange SA

647,257,480

Other shareholders

1,312,357,479

Total

*share = 1 vote at AGM

General Meeting activities in 2018

The Annual General Meeting took place on April 20, 2018 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 2017 financial year
- approval of Orange Polska S.A. financial statements for the 2017 financial year
- approval of the Management Board's Report on the activity of Orange Polska Group in the 2017 financial year
- approval of the consolidated financial statements for the 2017 financial year
- granting approval of the performance of their duties by members of Orange Polska S.A.'s governing bodies in the financial year 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 2018

Supervisory Board Members (as of 31 December 2018)

1. Maciej Witucki Chairman of the Supervisory Board
2. Gervais Pellissier Deputy Chairman of the Supervisory Board
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. Thierry Bonhomme Member of Supervisory Board, Member of the Remuneration Committee
6. Federico Colom Artola Member of the Supervisory Board, Member of the Audit Committee
7. Eric Debroeck Member of the Supervisory Board, Member of the Strategy Committee
8. Ramon Fernandez Member of the Supervisory Board
09. John Russell 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 Paśo-Wiśniewska Independent Member of the Supervisory Board, Member of the Audit, Remuneration and Strategy Committees
13. Dr. Wiesław Rozłucki Member of the Supervisory Board, Chairman of the Remuneration Committee
14. Jean-Marc Vignolles Member of the Supervisory Board, Chairman of the Strategy Committee

Until November 9, 2018, Orange Polska had five independent members on the Supervisory Board: Dr Henryka Bochniarz, John Russell Houlden, Prof. Michał Kleiber, Dr Maria Paśo-Wiśniewska and Dr Wiesław Rozłucki. At present, four members of the Supervisory Board meet the independence criteria. Dr Wiesław Rozłucki no longer meets the independence criteria because he has been a member of the Supervisory Board for longer than 12 years. For this reason, Dr Wiesław Rozłucki submitted his

resignation from the Supervisory Board on 22 March 2019. The resignation will be effective on the day of the Annual General Meeting approving financial statements for 2018.

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 2018

On April 20, 2018, the mandates of Ms. Henryka Bochniarz, Mr. Jean-Marie Culpin, Mr. Ramon Fernandez, Ms. Maria Paśo-Wiśniewska, Mr. Wiesław Rozłucki and Ms. Valérie

Thérond expired.

On the same day, Ms. Henryka Bochniarz, Mr. Thierry Bonhomme, Mr. Ramon Fernandez, Ms. Maria Paśo-Wiśniewska, Mr. Wiesław Rozłucki and Mr. Jean-Marc Vignolles were appointed by the Annual General Assembly as Members of the Supervisory Board.

Supervisory Board attendance register 2018

	Supervisory Board	Audit Committee	Strategy Committee	Remuneration Committee
Maciej Witucki	5/5			
Gervais Pellissier	4/5		2/3	
Marc Ricau	5/5	7/7		4/4
Henryka Bochniarz	5/5		3/3	
Thierry Bonhomme	2/3			2/2
Federico Colom Artola	5/5	6/7		
Jean-Marie Culpin	2/2		1/1	
Eric Debroeck	5/5		3/3	
Ramon Fernandez	4/5			
John Russell Houlden	5/5	7/7		
Michał Kleiber	5/5	7/7	3/3	
Patrice Lambert-de Diesbach	4/5		3/3	
Maria Paśo-Wiśniewska	5/5	7/7	3/3	4/4
Wiesław Rozłucki	5/5			4/4
Valérie Thérond	5/5			2/2
Jean-Marc Vignolles	3/3		2/2	

■ 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.

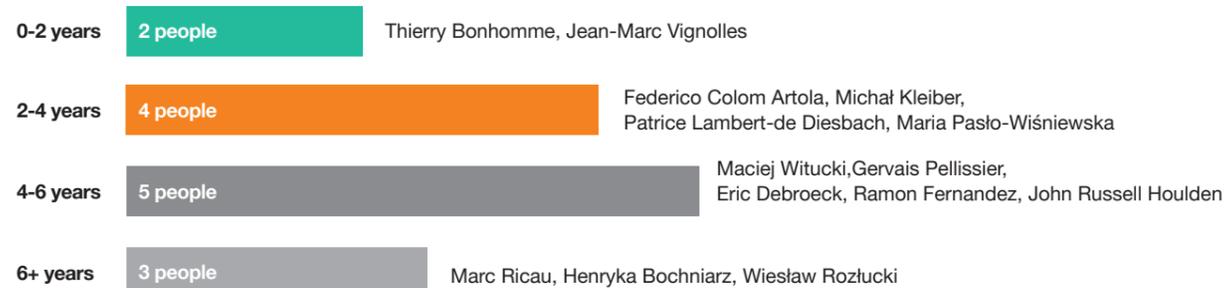
In case the mandate of a member of the Supervisory Board expires for reasons other than end of the term of office or dismissal from the Supervisory Board, the rest of the members of the Supervisory Board may appoint, by a majority of two thirds of the votes cast, a new member of the Supervisory Board.

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	✓	✓			✓		✓	
Thierry Bonhomme		✓		✓		✓		✓
Federico Colom Artola	✓	✓				✓		
Eric Debroeck		✓	✓	✓				
Ramon Fernandez	✓	✓	✓				✓	
John Russell Houlden	✓	✓					✓	
Michał Kleiber	✓	✓		✓			✓	✓
Patrice Lambert - de Diesbach	✓	✓	✓					
Maria Pasło-Wisniewska	✓	✓			✓		✓	✓
Wiesław Rozłucki	✓	✓	✓				✓	
Jean-Marc Vignolles	✓	✓	✓	✓		✓		

On the Supervisory Board's agenda for 2018

Throughout 2018, the Supervisory Board focused on the following issues:

a) Orange.one strategic plan for 2017-2020

In 2018, the Supervisory Board closely monitored the implementation of the new approach to the mid-term strategic plan for 2017–2020, which was adopted in September 2017 as “Orange.one”. The plan aims to restore sustainable growth of Orange Polska’s revenues and profits by achieving the position of the first choice telecommunications operator for both retail and business customers. The results achieved by Orange Polska validate the aforementioned assumptions.

b) Orange Love offer and growth in convergent services

2018 was the second consecutive year, in which the Orange Love convergent offer addressed to households and small businesses – which is based on simplicity and in its basic package combines broadband, TV, mobile post-paid and home phone services – generated a very significant increase in the convergent customer base, driving convergent revenue growth by 30% year-on-year. Each convergent customer uses on average four services, accounts for almost two SIM cards and spends more than PLN 100 a month on our services. The total number of services provided in the convergence scheme among B2C customers has exceeded 5 million. For Orange Polska, such a comprehensive offer is a major competitive advantage over its competitors, including CATV operators.

The Supervisory Board has been discussing the sales of convergent services and the implementation of the Company’s strategy in this area on a current basis, focusing particularly on customer satisfaction improvement and churn reduction.

c) Continued roll-out of the fibre network

According to the Supervisory Board, further rapid expansion of our fibre network in Poland provides Orange Polska’s key competitive differentiator over alternative operators and major aid for convergent sales. In 2018, additional 900 thousand Polish households were covered by our fibre network, leading to a 71% increase in our fibre customer base. The Supervisory Board is pleased to note that the great majority (over 80%) of the acquired customers were new to Orange Polska. Furthermore, the Supervisory Board put attention to Orange Polska’s involvement in the Operational Programme “Digital Poland” and issued a positive opinion regarding an agreement with T-Mobile on wholesale access to Orange Polska’s fibre network.

d) Financial results and operational performance in comparison to the budget

At each meeting, the Supervisory Board discussed in detail the current financial and operational results of Orange Polska in comparison to the budget adopted at the beginning of the year. An undeniable success of the strategy to ensure a stable business model generating sustainable growth in both sales and profits was the first adjusted EBITDA growth after 12 successive years of decline (by 3.1% year-on-year). This reflects very strong and rapid cost optimisations (a 10% reduction in indirect costs), improved revenue trend and record-high gains on sale of assets. In 2018, the years-long revenue erosion was contained to only -0.7% year-on-year, particularly owing to strong commercial performance in convergent, fibre and mobile services as well as 20% growth in IT/IS revenues.

In 2018, adjusted capital expenditures amounted to PLN 2,250 million (up 16% year-on-year), reflecting connectivity investments (in both fixed and mobile networks), development projects and business transformation.

e) Market trends

The Supervisory Board closely monitored the developments in the telecommunications market, including consolidation trends and regulatory outlook. In the Supervisory Board’s opinion, it is of paramount importance for the Company to adequately prepare for the launch of investments in the 5G network and provision of modern services based on this technology, taking into account the potential risks involved. Furthermore, in 2018 Orange Polska became the first operator in the Polish market to support devices with GSMA’s embedded SIM (eSIM) cards. The Supervisory Board expects that in the long run this will contribute to accelerated growth of the market for smart devices. Another issue discussed was a change in attitude to provision of financial services under the Orange Finanse brand after the end of co-operation with mBank, as these services remain a major segment of the Company’s portfolio.

f) The Management Board composition

On February 7, 2018, the Supervisory Board reappointed Bożena Leśniewska and Jolanta Dudek for the next terms of office as Members of the Management Board. In accordance with the Best Practice for GPW Listed Companies 2016, the renewals were made more than three months before the expiration of their terms of office. Bożena Leśniewska is the Vice-President of the Management Board in charge of Business Market, while Jolanta Dudek is the Management Board Member in charge of Customer Experience.

On October 18, 2018, the Supervisory Board appointed two new Members of the Management Board: Witold Drożdż and Piotr Jaworski. They took up their new positions on November 1, 2018. Witold Drożdż is the Management Board Member in charge of Strategy and Corporate Affairs, while Piotr Jaworski is the Management Board Member in charge of Network and Technology.



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

This section contains the Supervisory Board assessment of the Orange Polska Group's performance in 2018 in accordance with the recommendation no. II.Z10.1 of the Best Practice for GPW Listed Companies 2016 introduced by the Warsaw Stock Exchange. The assessment is based on the 2018 financial results of the Group (the Company and its subsidiaries) as well as 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 five 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 oversee the accuracy of financial reporting and the functioning of the internal control and risk management system.

Group's Operational Review

The Group's key goals in 2018 were to:

- Follow the priorities set in Orange.one;
- Execute commercial plans, which included capitalisation on the new offer portfolio that we introduced in 2017;
- Increase monetisation of the fibre project;
- Continue fibre network roll-out to cover more than 1 million new households connectable (including implementation of the Operational Programme "Digital Poland" – POPC);
- Continue business transformation, including cost cutting initiatives to increase efficiency;
- Implement further improvements in the customer experience management to continue to increase customer satisfaction and loyalty;
- Consider balance sheet deleveraging initiatives;
- Deliver stable restated EBITDA vs. 2017, that is around PLN 3.0 billion under IAS18 accounting standard (around PLN 2.75 billion under IFRS15 new 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 IAS18 accounting standard (not to exceed 2.8 under IFRS15 new accounting standard).

2018 was a breakthrough year for Orange Polska in terms of financial results. After 12 successive years of decline, adjusted EBITDA was up 3%. This outperformed the stabilisation of this measure promised to the financial markets. In the Management Board's opinion, which is shared by the Supervisory Board, it is a consequence of the well-executed Orange.one strategy. Last year was the first full year of its implementation.

The Management Board kept the Supervisory Board updated about various aspects related to the strategy. The Supervisory Board shares the Management Board's opinion that the key conditions for success of the Group's strategy include consistent implementation of convergence as the main formula for competing

in the mass market, monetisation of fibre investments and steady focus on value generation in commercial activities.

As part of the review of investments in the fibre network, the Management Board presented also the information about progress in the network development in the Operational Programme "Digital Poland". These investments are co-financed from the EU structural funds and are socially important, as they greatly contribute to the propagation of fast internet in non-urban areas and at schools. However, use of structural funds involves a risk of financing reduction or return in various cases, such as negative assessment of the formal dossier by control institutions or work delays beyond the settlement deadline.

2018 demonstrated that monetisation of this huge investment may be also effected through a wholesale offer. The agreement for the wholesale access of T-Mobile to the Orange Polska's fibre network was a subject of analyses and discussions at the Supervisory Board's meetings, and subsequently was given positive recommendation by the Supervisory Board. In the Supervisory Board's opinion, the wholesale co-operation will maximise usage of Orange Polska's infrastructure while avoiding fibre network overbuilding by other operators and accelerate convergence of telecom services in the Polish market based on fibre.

A major aspect of the Supervisory Board's discussions of strategy was the situation in the telecom market both in regulatory and competition terms. Although the market remains highly competitive, the Management Board is of opinion that service prices in Poland (particularly in the mobile sector) have stopped falling. The observed market trends in conjunction with favourable macroeconomic outlook for Poland (resulting, inter alia, in disposable income growth) indicate that the situation in the telecom market should improve in the coming years.

Furthermore, the Supervisory Board discussed the end of co-operation with mBank in the provision of financial services under the Orange Finanse brand. The discontinuation of this co-operation stems from a change in Orange Polska's business attitude to the provision of financial services to its customers. The new model will be more beneficial in terms of value generation for Orange Polska. Financial services remain a major pillar of the Company's services supplementary to its telecommunications portfolio.

Group's Financial Overview

The Management Board kept the Supervisory Board updated about the Company's financial performance. The Audit Committee of the Supervisory Board supervised the accuracy of financial reporting on a current basis and submitted its opinions to the Supervisory Board prior to the publication of results for subsequent reporting periods.

The Group met its financial goals for 2018. In terms of adjusted EBITDA, the guidance was even exceeded. Under comparable accounting standards, adjusted EBITDA was up 3% year-on-year, outperforming the intended stabilisation. Both revenue evolution and generated cash improved. Revenues (under IAS18 accounting) totalled PLN 11,296 million in 2018. The year-on-year decline was contained to just 0.7% or PLN 85 million despite continued structural pressure on legacy business lines (traditional retail and wholesale fixed telephony). The Supervisory Board shares the Management Board's opinion that convergence is the strategic engine of this improvement. Convergence revenues were up 30% in 2018, which was broadly similar pace as in 2017.

2018 adjusted EBITDA came in at PLN 3,104 million (under IAS18 accounting) and was PLN 93 million higher versus 2017. This adjusted EBITDA performance stopped 12 consecutive years of EBITDA decline. It was driven by very strong cost optimisations (indirect costs in 2018 were down 10% year-on-year) and record-high gains on disposal of assets.

Net income for 2018 stood at PLN 190 million (under IAS18 accounting) versus a net loss of PLN 60 million in 2017. The significant improvement is mainly a consequence of much higher reported EBITDA, which in 2017 was affected by provisions of PLN 204 million related to the Social Agreement. Adjusted organic cash flow for 2018 came in at PLN 453 million and increased significantly versus PLN 111 million in 2017. The most significant factor behind the improvement was receipt of PLN 275 million from T-Mobile pursuant to the wholesale agreement.

In 2018, the Group did not pay out dividend, which was given positive recommendation by the Supervisory Board. This decision was determined by challenging business outlook, particularly the need to maximise cash allocation to strategic investment projects and potential payment of EC fine.

Conclusions and 2019 Recommendations

Orange Polska delivered its operating and financial goals for 2018 owing to the consistent implementation of its strategy, focus on value and comprehensive business transformation. The underlying objective is to build a company better structurally prepared to future competitive challenges and business opportunities, and able to generate sustainable growth. In 2019, Orange Polska will focus on the same strategic priorities in order to sustain the growth achieved in the preceding year.

In the Supervisory Board's opinion, in 2019 the Group should focus, in particular, on the following key aspects:

- Follow the priorities set in Orange.one;
- Meet the forecasts and guidance for revenue and EBITDAaL growth published for the financial markets;
- Execute commercial plans which reflect focus on value generation on both mass and business markets;
- Accelerate monetisation of the fibre project;
- Continue fibre network roll-out under the Operational Programme "Digital Poland" (POPC);
- Continue business transformation, including cost-cutting initiatives to increase efficiency;
- Implement further improvements in the customer experience management to continue to increase customer satisfaction and loyalty;
- Prepare for 5G network investments;
- Maintain financial stability and monitor closely the level of debt ratios, that is net debt-to-EBITDAaL should fall below 2.4 reported at the end of 2018.

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 2018

Audit Committee members

John Russell Houlden – Chairman

Federico Colom Artola

Prof. Michał Kleiber (“Independent Director”)

Dr Maria Pasło-Wiśniewska (“Independent Director”)

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 Audit Committee of Orange Polska SA 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.



Letter from the Chairman of the Audit Committee



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.

Dear Shareholders,

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

In recent years there have been important changes to the legal environment in Poland relating to auditing standards and regulations including Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014 and the new Polish Act on Auditors of 11 May 2017, which have influenced the Orange Polska Audit Committee in terms of its activities and composition. Thus in 2018 the Audit Committee was composed of five members, of whom three are independent members.

A significant part of the work of the Audit Committee in 2018 related to the implementation of International Financial Reporting Standard 16 (Leases). The standard allows for different approaches to its implementation and it is clear that at least in the first years of the application of the standard the market practice will differ somewhat across industries and jurisdictions. The Audit Committee thoroughly reviewed the manner of implementation proposed by Management and discussed with the 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. Also the Audit Committee monitored the consequences of adoption the IFRS 9 (financial instruments) and IFRS 15 (Revenue from contracts with customers).

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 important transactions that the Company entered into i.e. the second contest of the Digital Poland Operational Programme and the agreement on telecommunications access to the Orange Polska's fibre network with T-Mobile. 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 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

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 fairness of the financial reporting process in the Company.

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.

On the Audit Committee's agenda for 2018

The Audit Committee held seven meetings in 2018. The meetings were attended by the Chief Executive Officer and Chief Financial Officer, as well as the 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 the monitoring of the financial reporting process

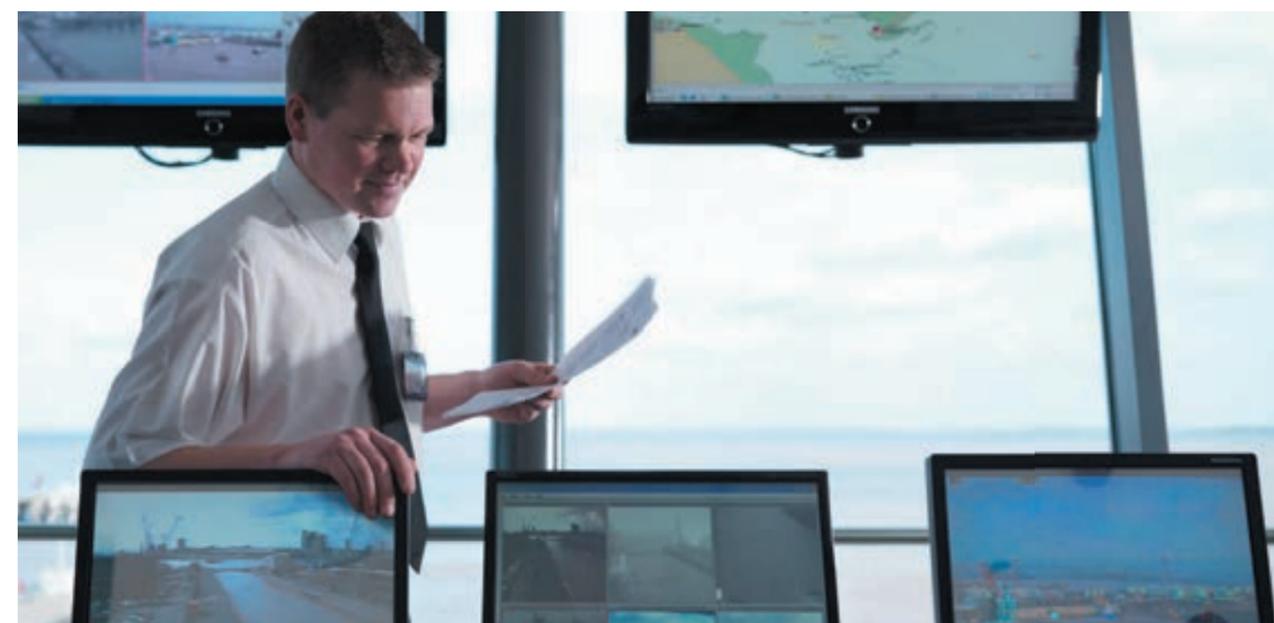
As required by law, the Audit Committee monitored the process of financial reporting. The goal of the Audit Committee was to assess and provide advice to the Supervisory Board on whether the financial statements as well as the annual report, taken as a whole, secured faithful representation and relevance 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 during the drafting process. The Committee also reviewed Orange Polska Group's strategy 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 finan-

cial 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 situation, 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 2018, as a result of significant changes in accounting standards, the Committee put special attention to Alternative Performance Measures (APMs) to make sure that the 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 were coming up 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 the monitoring of performance of the 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 2018 was the fourth year of Ernst & Young being the auditor of the Orange Polska Group.

The Audit Committee reviewed the external auditors' proposed audit plan for 2018 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 came up 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 the auditor in this respect, however, the auditor did not agree to allow the Company to have a right to audit the measures applied.

This topic will be considered when next run a tender process for audit services.

In order to assess the performance and independence of the auditor as well as generally the relationship with the auditor feed-

back 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 2018. The Audit Committee also asked the auditor for its feedback on the co-operation with the Company. The conclusions were discussed and opportunities for 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 with the implementation of the agreed changes.

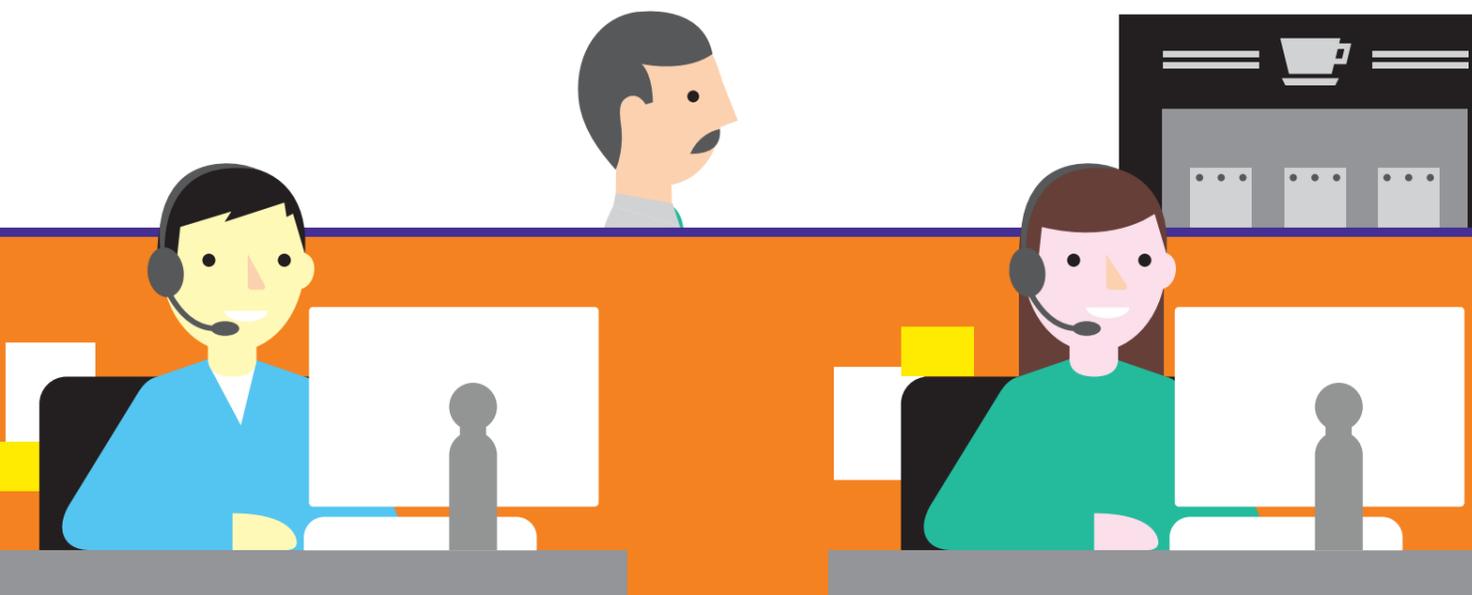
In summary, the Audit Committee concluded that the overall external audit process and services were effective and satisfactory.

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.

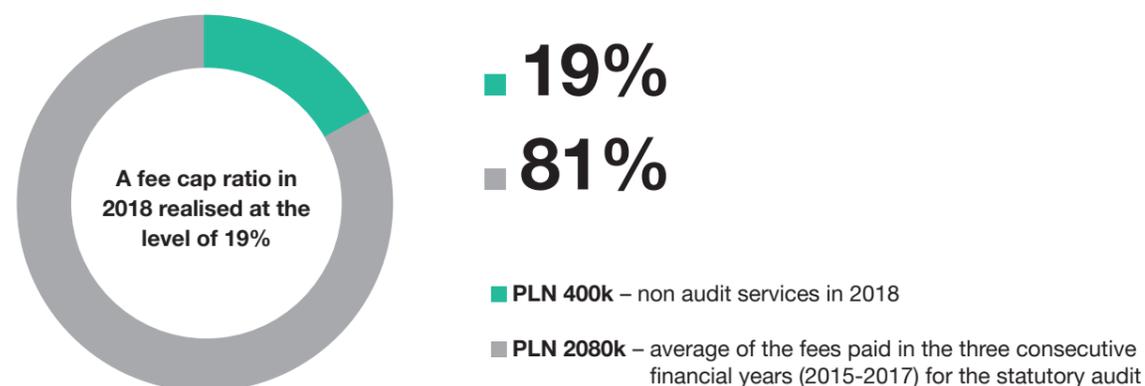
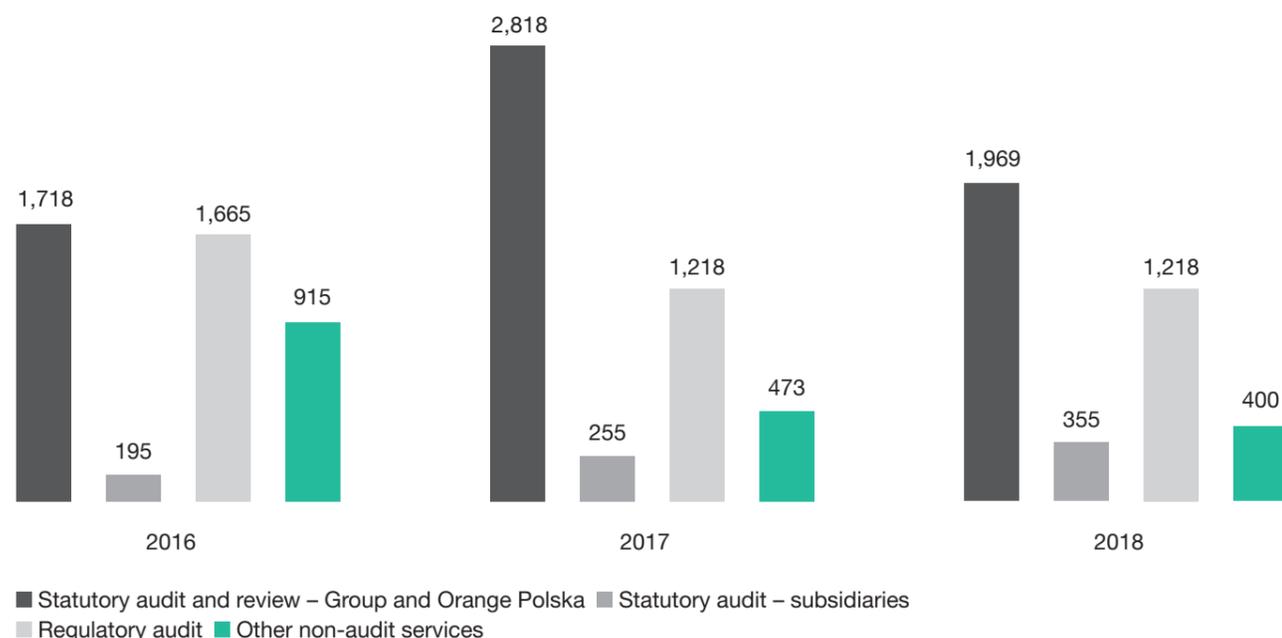
Second, the Audit Committee reviews the proportion of the value of non-audit services rendered by the auditor or its affiliated entities and the audit fees. As required by law, the Company has a Policy on the provision of authorised non-audit services by the audit firm and its affiliated entities. Following 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 a 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. The 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. At the end of 2018 fees for non-audit

services were at the level of 19% of audit fees. As shown in the chart below, fees for non-audit services in 2018 are lower than in 2017 and visibly lower in comparison to 2016. Ernst & Young provides also 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 table below.

EY network costs in Orange Polska Group ('000)



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 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 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 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). In the beginning of 2018, the Audit Committee reviewed the prior year's performance of the auditor and recommended to the Supervisory Board the reappointment of Ernst & Young as the statutory auditor for 2018 and 2019. The recommendation was based on competencies of the auditor, benefits of having an experienced audit team which has good knowledge of the Orange Polska Group from the previous three years cooperation, good performance so far and level of the fee. According to the Company's Articles a statutory auditor is appointed by the Supervisory Board.

In 2019, the Company will undertake the tender for statutory audit service.

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:

- The Group's key judgments and estimates related to revenue recognition including significant one-off transactions such as:
 - a) Accounting treatment of agreements signed by Orange Polska with the Digital Poland Project Centre and suppliers relating to the development of the broadband telecommunications network was an area of considerable judgement, both in consolidated and standalone financial statements. The Audit Committee focused among others on the accounting treatment proposed by the Management relating to the moment of recognition of EU funds. The Audit Committee also challenged the presentation of the whole transaction at the Group level, taking into account the fact that a subsidiary of the Group was a subcontractor to one of the suppliers and significant judgement was required to assess

whether the supplier should be regarded as a principal or an agent. After a thorough discussion it was agreed that it should be regarded as an agent.

b) Accounting treatment of an agreement with T-Mobile on telecommunications access to Orange Polska's fibre network in the form of Bitstream Access ("BSA"). Based on the agreement, Orange Polska offered T-Mobile wholesale access to the Group's fibre network in exchange for an up-front fee and monthly fees. The Audit Committee focused among others on identification of performance obligations in the agreement and their valuation resulting from allocation of the transaction prices between these performance obligations. The Audit Committee challenged also the period within which revenue from the agreement contract should be recognised;

- New accounting standards with a particular focus on:
 - a) IFRS 15 'Revenue from Contracts with Customers' implemented in 2018: recognition of separate performance obligations and definition of their stand-alone selling price being the basis for transaction price allocation between performance obligations,
 - b) IFRS 9 'Financial Instruments' implemented in 2018: the impact of expected losses approach on allowance for trade receivables and contract asset,
 - c) IFRS 16 'Leases' implemented in 2019: new rules on leases definition, scope of leases and identification of lease contracts valuation and recognition, application of options allowed by the standard and determination of lease period.
- The Group's valuation of the off-balance sheet commitments as reported in 2018 financial statements;
- 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;
- Impairment indicators and impairment test prepared by the Management as well as goodwill recognition and deferred tax recoverability;
- Management's assessment of the length of the economic useful life of assets;
- Disclosures in the financial statements and Management's report relating to new matters e.g. revenue disaggregation or key judgments;
- Distributable capital calculation.

Internal audit function and assessing the effectiveness of the internal audit function

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.



In addition to reviewing the effectiveness of these areas and reporting on aspects of the Orange Polska Group's compliance with them, Internal Audit makes recommendations to address any key issues and improve processes. Once any recommendations are agreed with management, Internal Audit monitors their implementation and reports to the Audit Committee on progress made at every meeting.

Internal Audit considers 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 Audit responsibilities are clearly defined and approved as stated in the internal audit charter which is reviewed and approved 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 plan of Internal Audit is submitted for review of the Audit Committee and approval of the Management Board President. 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, discussing relevant aspects of their respective activities and 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 programme 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 2018, Orange Polska's Internal Audit maintained its IIA certification from IFACI.

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

Risk management

Risks are identified within all relevant business units. The risks which are perceived by members of the Management Board or Executive Directors as most significant for Orange Polska operations are qualified as top risks. In addition to top risks, emerging risks which may become top risks in the longer term are also identified. Review of top risks along with emerging

risks and their update is done and reported twice a year.

The Audit Committee receives a report on top and emerging risks once a year in April. Every year in October top and emerging risks are reported to the Supervisory Board.

The top risk analysis is taken into account in the preparation of the annual Internal Audit plan. The plan addresses different aspects of top risks. The plan is submitted for review from the Audit Committee and approval from the Management Board President.

The Audit Committee reviewed the effectiveness of the risk management system and verified the key risks in terms of their impact on the strategic objectives of Orange Polska, Management's approach to the risks and effectiveness of the assigned mitigation actions.

Internal control

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 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 the 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 the 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 2018.

Compliance

Matters related to the implementation of the Compliance Management Programme are reported to the Audit Committee 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 practice and maintaining the Group's anti-corruption standards.

The Compliance Management Programme in Orange Polska embraces the Company's obligations to act in line with the law, applicable standards, regulations, market and industry standards, as well as ethical principles, both in dealings with clients and business partners and between employees. One of the key elements of the Compliance Management Programme is the Anti-Corruption Policy, through which the Company adopts a zero-tolerance approach towards corruption with regard to every aspect of its activities. 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.

Another integral part of the Programme is the Anticorruption Guidelines which introduced thresholds for offering and accepting gifts, meal and entertainment in scope of business relations.

The Compliance Management area provides continuous information and training to build employees' awareness and knowledge. If a problematic situation arises, employees can access ongoing consultation, advice and opinions.

Whistleblowing

The Company provides different channels of communications where all employees and stakeholders can also report their doubts or observed irregularities (such as conflict of interest, cases of corrupt behavior 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. The whistleblowing system is fully confidential and guarantees anonymity. The Audit Committee reviews the summary of cases reported via the whistleblowing system.

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 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 and 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 Orange Polska's subsidiaries.



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 2018

Strategy Committee members

Chairman:

Gervais Pellissier – until 20 April 2018, then a member

Jean-Marc Vignolles – from 20 April 2018

Members:

Dr. Henryka Bochniarz (“Independent Director”)

Jean-Marie Culpin – until 20 April 2018

Eric Debroeck

Prof. Michał Kleiber (“Independent Director”)

Patrice Lambert de Diesbach

Dr Maria Pasło-Wiśniewska (“Independent Director”)

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. In 2018 the Strategy Committee held three ordinary meetings.

Letter from the Chairman of the Strategy Committee



Dear Shareholders,

In April last year, I had the honor of taking the post of Chairman of the Strategy Committee. I would like to thank Gervais Pellissier for his commitment to chair the work of the Committee and I count on his continued support, on his knowledge and experience.

Year 2018 was another important period in the Orange Polska activity, during which significant changes took place in the business environment, which required analysis and discussion within the Committee in order to support decisions taken by the company's Management Board.

Year 2018 was another important period of Orange Polska activity, facing significant changes in the business environment, which required analysis and discussion within the Committee.

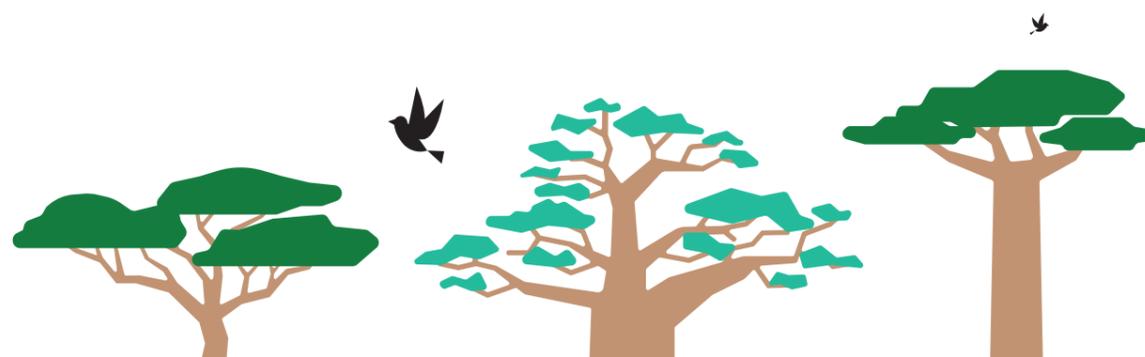
The work of the Committee focused primarily around mid-term strategic plan and its execution with important role of convergence and new business areas answering customer expectations and market trends.

During three ordinary meetings the Committee focused primarily on discussion around Orange Polska's mid-term strategic plan beyond 2020 and those selected business areas that are relatively new in the business (electricity market) or in the light of market trends particularly important for integrated operators (content market). Last year, the Committee devoted a lot of attention to the analysis of global trends at the threshold of the digital revolution as well as important consolidation events on the domestic market. The acquisition of Netia by the Cyfrowy Polsat Group was considered particularly important for the Polish market, which on one hand confirmed the operators' aspiration for full-scale convergence and on the other hand showed how to successfully consolidate significant market players in the light of the theory and practice or regulations in Poland. This led the Committee to look at what further consolidations are still possible on the Polish market, what are the chances of success and the consequences for Orange Polska. The Committee was also very interested in the results of Orange Polska's activity, what market position and competitive potential they carry, as well as internal processes of changes taking place in the company, in order to raise this potential (new IT system and operational model) and meet the expectations of customers and keeping in mind the shareholders' interest.

Especially in the context of the mid-term strategic plan I am strongly convinced of the need of focusing on the spectrum management, digitalisation as well as Orange Polska strategy concerning financial services in the further work of the committee this year.

I want to thank not only Gervais, but also all Committee members and guests for their contribution to effective work for the sustainable development of the company and its market success last year.

Jean-Marc Vignolles
Chairman of the Strategy Committee



On the Strategy Committee's agenda for 2018

Orange Polska mid-term strategic plan

The principal assumptions and deliverables of the Orange Polska mid-term strategic plan beyond 2020 have been discussed, including main risks.

The plan's goals were considered realistic thanks to very strong efficiency programmes that would be engaged. HR cost reduction was a sine qua non condition of the transformation, guaranteeing regaining profitability.

Orange Energy after Multimedia Energia consolidation and next steps

Orange Energy should distinguish itself from the other energy providers, by concentrating on digitalisation and green energy. Orange Polska positioning may also include helping households in managing the entire consumption and energy home expenses (which will also promote pro-environmental attitudes). Although some tests of remotely operated home appliances have already been done, the market seems not to be fully ready yet for such solutions.

Content market overview

Content is very important from the perspective of FTTH monetization and being distinguished on the market (building a competitive advantage). In Poland the pay TV market is constantly growing and the Poles continue to spend a lot of time in front of the TV. It was pointed out that OTT players (Netflix, Amazon, etc.) are playing an increasingly important role in the content market, particularly in younger age segments. Nevertheless due to the

popularity of sports content in Poland, linear TV still has a large share in overall content consumption. The production of content in Poland - especially the sports one - is strongly concentrated and mostly remains in the hands of two players.

New trends on telco market inspired by Netflix and Amazon

Orange Polska is the precursor of eSIM solution on the Polish market and the phenomenon is perceived in the company both as a big challenge (change of the mobile operator is easier) and in the same time as a huge business opportunity in the future. Inspiration of current trends and their smart implementation in the strategy has been recognized as the optimal path to ensure a leading position in building and maintaining customer relationships by the company.

Overview of acquisition of Netia by Cyfrowy Polsat and other potential consolidation moves on Polish market

The importance of the acquisition of Netia by Cyfrowy Polsat and its influence on the structure of Polish telecommunication market was stressed out. From a business perspective, the transaction confirms that pushing the market towards the convergence – the core of Orange Polska's strategy – was right. This is also a trend visible in other European countries. The Committee has analysed also various consolidation possibilities on the Polish market their probability and business effect on Orange Polska activity.

IT systems overview

The importance of the Online project completion concerning the new, simple and more efficient system used by all the Orange Polska shops and contact centres was pointed out, especially its elasticity and the role in facilitating the IT digital transformation in the company.

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.

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 2018

Remuneration Committee members

Dr. Wiesław Rozłucki - Chairman ("Independent Director" until 9.11.2018)

Thierry Bonhomme from 20.04.2018

Dr. Maria Pasło-Wiśniewska ("Independent Director")

Marc Ricau

Valérie Théron until 20.04.2018

Letter from the Chairman of the Remuneration Committee



Dear Shareholders,

I am pleased to attach my report on the activities of the Remuneration Committee over the past 12 months. The Committee held four meetings during this year.

One of the main responsibilities of the Remuneration Committee is to make recommendations to the Supervisory Board on appointments to the Management Board. As part of this, in 2018 the Committee recommended reappointing two Management Board Members for the next term of office and recommended two new appointments to the Management Board.

In 2018 the Remuneration Committee reviewed the employment conditions of the Management Board Members and the Executive Directors and accepted some changes in their remunerations.

One of the main tasks of the Remuneration Committee is to provide an opinion on the remuneration policy for the Orange Polska and in 2018 the Committee accepted the remuneration policy in Orange Polska S.A., in accordance with Best Practice for GPW Listed Companies 2016. We then recommended the policy to the Supervisory Board.

We also have been involved in assessment of the Management Board Members performance and gave our recommendations to the Supervisory Board regarding the amounts of their bonuses.

Additionally Remuneration Committee developed and recommended to the Supervisory Board a new structure of the MBO system based primarily on solidarity targets: EBITDA, Organic Cash Flow (OCF) and NPS.

The Remuneration Committee presented the report on its activities in 2017 to the Supervisory Board.

The Remuneration Committee also gave its positive recommendation to the Supervisory Board about the Orange SA Group Long Term Incentive Programme for 2018 – 2020 and also about the update of the Regulations of the Orange One Motivation Programme which is a voluntary Programme in Orange Polska.

Wiesław Rozłucki
Chairman of the Remuneration Committee

On the Remuneration Committee's agenda for 2018

- Approval of the proposals presented by CEO concerning the appointments of Bożena Leśniewska and Jolanta Dudek as the Management Board Members for the next term of office from April 2018. The Remuneration Committee positively recommended these appointments to the Supervisory Board and their current employment contract conditions.
- Approval of the proposals presented by CEO concerning new appointments to the Management Board: Witold Drożdż and Piotr Jaworski as the Management Board Members from 1 November 2018. The Remuneration Committee made positive recommendation to the Supervisory Board about two candidates and their employment conditions.
- Acceptance of the change in remuneration of the Vice-President of the Management Board in charge of Business Market and positive recommendation to the Supervisory Board.
- Acceptance of the change in remuneration of the Management Board Member in charge of Customer Experience from 1 November 2018 and positive recommendation to the Supervisory Board.
- Approval of the new name of the position of Jolanta Dudek since 1 May 2018: Management Board Member in charge of Customer Experience.
- Acceptance of the change in remuneration of the Executive Director in charge of Network & Technology; the Executive Director in charge of Corporate Affairs; the Executive Director in charge of Carriers Market and the Executive Director in charge of Transformation & Effectiveness, from 1 November 2018.

- Acceptance of the Stretch Bonus for Jean-François Fallacher for 2017 and positive recommendation to the Supervisory Board.
- Acceptance of the conditions of the Stretch Bonus for Jean-François Fallacher for 2018 and positive recommendation to the Supervisory Board.
- Acceptance of the new MBO rules for 2018.
- Acceptance for the Management Board Members of: evaluation of the MBO goals for H2 2017, establishment and evaluation of the MBO goals for H1 2018 and establishment of the MBO goals for H2 2018.
- Preparation for the Supervisory Board the Annual Report on the activities of the Committee in 2017.
- Approval of the part of the Management Board's Report on the Activity of Orange Polska S.A. in 2017, including the remuneration policy in Orange Polska S.A., in accordance with Best Practice for GPW Listed Companies 2016.
- Positive recommendation to the Supervisory Board about the Orange SA Group Long Term Incentive Programme for 2018 - 2020.
- Acceptance of update of the Regulations of the Orange One Motivation Program and positive recommendation to the Supervisory Board.
- Review of and opinions on the subject of Group Leader Tool for self-evaluation by SVB Members.

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, re-

tention 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 Orange 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 Intragroup 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 Intragroup Collective Labour Agreement are determined in co-operation with trade unions.

1. 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 in the following process:

- 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.

2. 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.

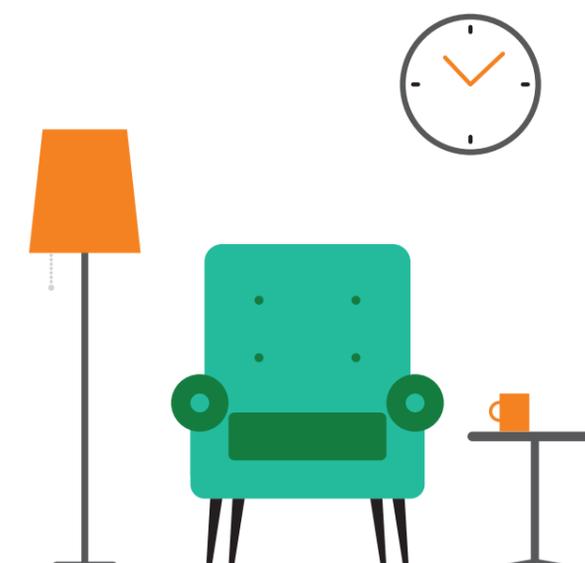
Orange Polska S.A.'s bonus system is aligned with the specifics of the tasks performed by particular functions, which results in different levels of bonuses:

- 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. The 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.

3. 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, 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.

4. 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 2018

(PLN '000)	12 months ended 31 December 2018			
	Fixed compensation expense in 2018	Variable compensation expense in 2018 ¹	Total compensation expense in 2018	Additionally: Variable compensation expense in 2017, paid in 2018
Jean-François Fallacher	2,849	923	3,772	631
Mariusz Gaca	1,683	739	2,422	395
Jolanta Dudek	962	415	1,377	210
Jacek Kowalski	1,183	529	1,712	274
Bożena Leśniewska	1,348	612	1,960	287
Maciej Nowohoński	1,260	511	1,771	248
Witold Drożdż ²	156	86	242	-
Piotr Jaworski ²	159	85	244	-
Total	9,600	3,900	13,500	2,045

¹ Includes bonuses accrued in 2018 to be paid in 2019, excludes bonuses accrued in 2017 and paid in 2018.

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

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

(PLN '000)	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 and paid in 2018, excludes bonuses accrued in 2016 and paid in 2017.

Person who was a Member of the Management Board of the Company in 2017 and in previous years

(PLN '000)	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).



The Supervisory Board compensation was as follows

(PLN '000)	12 months ended 31 December 2018	12 months ended 31 December 2017
Maciej Witucki	431	431
Gervais Pellissier ¹	-	-
Marc Ricau ¹	-	-
Dr Henryka Bochniarz	220	214
Thierry Bonhomme ³	18	-
Federico Colom Artola ¹	-	-
Jean-Marie Culpin ^{1 2}	-	-
Eric Debroeck ¹	-	-
Ramon Fernandez ¹	-	-
John Russell Houlden	394	394
Prof. Michał Kleiber	215	215
Patrice Lambert-de Diesbach ¹	-	-
Dr. Maria Pasło-Wiśniewska	212	212
Dr. Wiesław Rozłucki	321	322
Valérie Thérond ^{1 2}	-	77
Jean-Marc Vignolles ¹	-	154
Total	1,811	1,788

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 2018 but were Members of the Supervisory Board of Orange Polska S.A. in 2017.

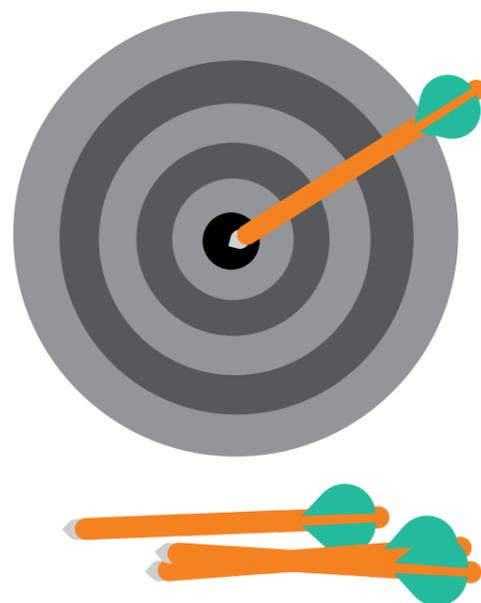
³ Person appointed to the Supervisory Board of the Company and employed by Orange S.A., whose employment in Orange S.A. was terminated during the year. For the period of employment in Orange S.A., remuneration for the function in the Supervisory Board of Orange Polska S.A. was not due, while it was due after the termination of employment in Orange S.A.

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 Orange Polska's 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 6 monthly basic salaries. All Management Board Members shall refrain from any competitive activity for 12 months after the termination of employment, and they are entitled to compensation for this ban equal to 6 monthly basic salaries.

In addition, the President of the Management Board is entitled to the 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 voluntary purchase of 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 (PLN '000) ¹	The cost of share-based payments for 12 months till December 31, 2018 (PLN '000) 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	84
Mariusz Gaca	50,000	21,000	9,000	11	63
Jolanta Dudek	50,000	21,000	9,000	11	63
Jacek Kowalski	50,000	21,000	9,000	11	63
Bożena Leśniewska	50,000	21,000	9,000	11	63
Maciej Nowohoński	50,000	21,000	9,000	11	63
Witold Drożdż ²	50,000	21,000	9,000	-	30
Piotr Jaworski ²	50,000	21,000	9,000	-	30
Total	420,000	168,000	72,000	69	459

¹ For cost calculation assumptions please see Note 15.2 to the Orange Polska Group IFRS Consolidated Financial Statements for 2018.



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 (PLN '000)
	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. The Long Term Incentive Plan is a 3-year plan from 2017 to 2019.

	Shares (number)	The cost of share-based payments for 12 months till December 31, 2017 (PLN '000)	The cost of share-based payments for 12 months till December 31, 2018 (PLN '000)
Jean-François Fallacher	2,000	7	37
Mariusz Gaca	2,000	7	37
Jolanta Dudek	2,000	7	37
Jacek Kowalski	2,000	7	37
Bożena Leśniewska	2,000	7	37
Maciej Nowohoński	2,000	7	37
Witold Drożdż	2,000	-	6
Piotr Jaworski	2,000	-	6
Total	16,000	42	234

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

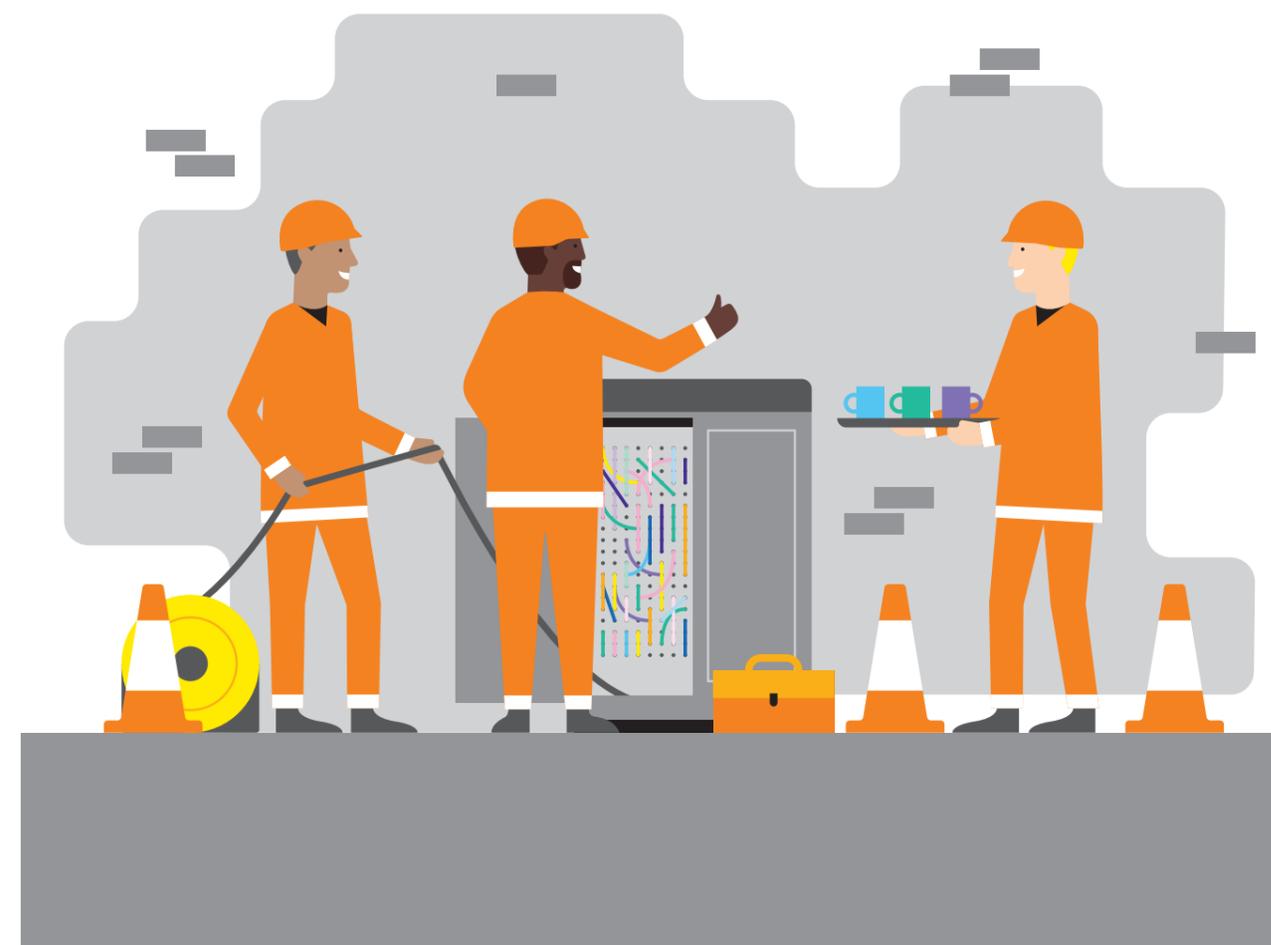
Selected Executives and Leaders are awarded a defined number of free shares of Orange S.A. under the following conditions: continuous service in the Orange Group throughout the plan until 31 December 2019 and performance conditions.

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.

In July 2018 the next edition of the Long-term Incentive Plan of the Orange Group for 2018-2020 was made available. Number of shares granted by Orange S.A. as part of the program, to the Management Board Members are specified in the table below.

	Shares (number)	The cost of share-based payments for 12 months till December 31, 2018 (PLN '000)
Jean-François Fallacher	2,000	17
Mariusz Gaca	2,000	17
Jolanta Dudek	2,000	17
Jacek Kowalski	2,000	17
Bożena Leśniewska	2,000	17
Maciej Nowohoński	2,000	17
Witold Drożdż	2,000	7
Piotr Jaworski	2,000	7
Total	16,000	116



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 6 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 6 months, are eligible for the Employee Pension Programme (PPE).

After enrolment to 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 2018

Like in previous years, our bonus systems support directly execution of: EBITDA, NPS, transformation projects, sales targets for convergent offers and fibre services. In 2018, bonuses for all people are stronger connected with EBITDA. Bonuses for first managerial line (the Board and Executive Directors) depend on EBITDA in 50%. A stronger EBITDA impact on bonuses is implemented for the rest of directors as well. All employees in non-sales teams received diverge level of bonus even in case of 100% individual performance, depending on the Company's EBITDA. The adopted bonus model focuses engagement of all people on EBITDA improvement. In bonus models dedicated to salesforce, there has been evolution of indicators from revenues and volume of services to profitability of services.

The Company offers a competitive level of remuneration in relation to the market; as a result, the level of staff turnover at the initiative of employees remains relatively low. At the same time, we note a growing pressure on remuneration growth related to an increase in demand for labour on the market, especially in new technology professions and direct contact with the customer. Systematic salary reviews are based on setting remunerations in the Company against the market and allow us to respond flexibly according to market changes. Therefore, our annual salary review is supplemented by additional microreviews and a salary rise process in the first and fourth quarters for selected professional groups that see dynamic wage growth in the market, which might lead to higher employee turnover in these groups.

Management Board's activities in 2018

Management Board composition as of 1 January 2019

Executive structure



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 November 1, 2018, the Management Board was expanded by two new Members: Management Board Member in charge of Strategy and Corporate Affairs and Management Board Member in charge of Network and Technology.



Profiles of Management Board Members



Jean-François Fallacher

Responsibilities:

CEO and President of the Management Board

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.

Appointment to the board:

May 2016

Career experience:

Jean-François has an extensive professional know-how 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, responsible for running Romania's leading mobile telecommunications 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

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 mobile telecommunication operator) – a position which he held until the merger of PTK Centertel with Telekomunikacja Polska in 2013. From 2014 to 2016, he was the Vice-President of the Orange Polska Management Board in charge of Business Market. Vice President of the Board for Consumer Market since January 2017. He is also Chairman of the Ethics Committee of Orange Polska. Furthermore, he is Vice President of Employers of Poland and Chairman of the Polish Section of Business and Industry Advisory Committee to the OECD (BIAC).



Bożena Leśniewska

Responsibilities:

Vice-President of the Management Board in charge of Business Market.

Qualifications:

She graduated the Jagiellonian University, the Academy of Leadership Psychology at Warsaw University of Technology Business School, the Academy of Mentoring and Advanced Management Programme at INSEAD. She is also the member of the European Network for Women in Leadership, the THINKTANK Board of Experts and the Responsible Leadership Council. She is an active mentor in mentoring programmes held by Vital Voices, Foundation for Women Entrepreneurs and others.

Appointment to the board:

October 2015

Career experience:

Bożena has over 20 years' experience in the telecommunications sector. She began her professional career at DHL International Ltd. Later she was performing managerial functions in Polkomtel S.A. and from 2006 in both PTK Centertel Sp. z o.o. and Telekomunikacja Polska S.A. In 2013, she became Executive Director in charge of Sales Orange Polska and two years later she was appointed a Member of Management Board in charge of Sales and Commercial Digitization. Since January 2017, as Vice-President of the Management Board of Orange Polska, she is responsible for the business market and Integrated Solutions.



Witold Drożdż

Responsibilities:

Management Board Member in charge of Strategy and Corporate Affairs.

In 2012-2018 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.

Appointment to the board:

November 2018

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 sits on the Orange Foundation Board.

Profiles of Management Board Members



Jolanta Dudek

Responsibilities:
Management Board Member in charge of Customer Experience.

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.

Appointment to the board:
October 2015

Career experience:
She began her career in telecommunications at PTK Centertel in 2000, holding management positions related to Mass 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 Customer Service for the Orange network. In October 2010 she was appointed Director of Mobile Business Customer Service in Orange Customer Service. From November 2013, she was the Executive Director in charge of Customer Care in Orange Polska. Until incorporation of Orange Customer Service into Orange Polska's main structure in 2016, she served as CEO of Orange Customer Service. She has been responsible for the area of Customer Care and Customer Excellence in Orange Polska since 2014.



Piotr Jaworski

Responsibilities:
Management Board Member acting as Chief Technology Officer.

In 2016-2018 Executive Director responsible for Network and Technology domain.

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

Appointment to the board:
November 2018

Career experience:
Piotr has been working at Orange Polska (former Telekomunikacja Polska) since 1991, initially as the Technical Manager in the Białystok Technical Unit, then, in the company's Headquarters, as Director of the Business Customers Care 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 provisioning and maintenance (for both Orange customers and alternative operators), network investments (including VHBB FTTH roll-out) and active network maintenance. He has been the leader of several projects in customer experience development. He has been involved in charity work for years. He is a member of the Orange Network Experts Committee as well as the Orange Ethics Committee. Chairman of the TP Teltech Supervisory Board.



Jacek Kowalski

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.



Maciej Nowohoński

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:
He has been with Orange Polska since 2003 and held several positions of growing responsibility in finance, including Orange Polska Group Controller in 2006-2014. He was a Member of the Management Board of Emitel from 2010 to 2011 and the Chief Financial Officer of PTK Centertel between 2011 and 2013. Furthermore, he sits on supervisory boards of selected subsidiaries of Orange Polska. Prior to joining the Orange team, he worked for Arthur Andersen & Andersen Business Consulting.

Profiles of Executive Directors



Bruno Chomel

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 ecommerce (CIO/Board Member at La Redoute, and Deputy CIO co-leading a massive mainframe decommissioning program at 3SI - OTTO group). He started his career 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.



Magdalena Hauptman

Responsibilities:

Since November 2013, she has worked as Executive Director in charge of Transformation and 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. Currently, as Executive Director in charge of Transformation and Effectiveness, she is responsible for Orange.One - transformation program aiming at Orange Poland 2020 strategy implementation. Her scope of responsibilities includes Sourcing and Time To Market process as well.



Jarosław Starczewski

Responsibilities:

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

Qualifications:

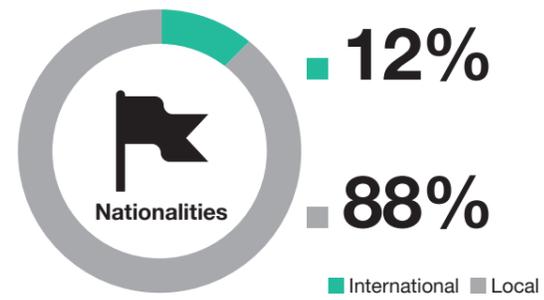
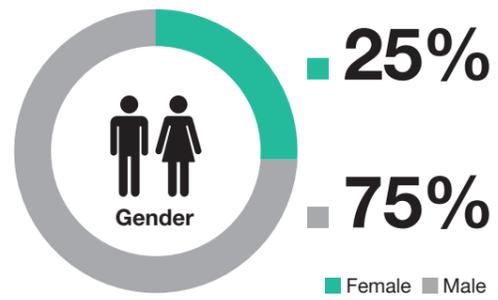
He graduated from the Telecommunication Institute of Warsaw Technical University. He also holds an MBA from the University of Illinois at Urbana-Champaign.

Career experience:

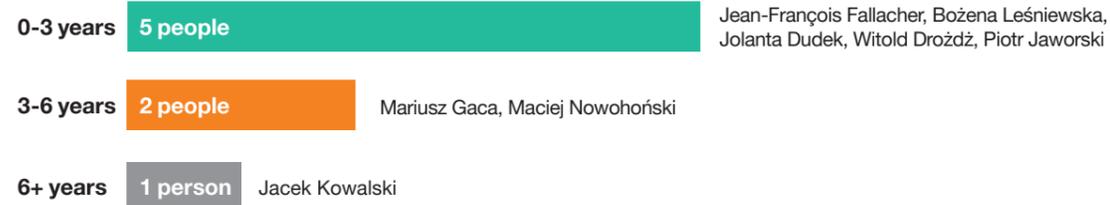
He has over 15 years of experience in working as a manager for telecom carriers in international environments. Throughout his career he has held a number of executive as well as supervisory positions and roles, including with the Capital Group Polish Energy Networks, where he was Chairman of the Board 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.



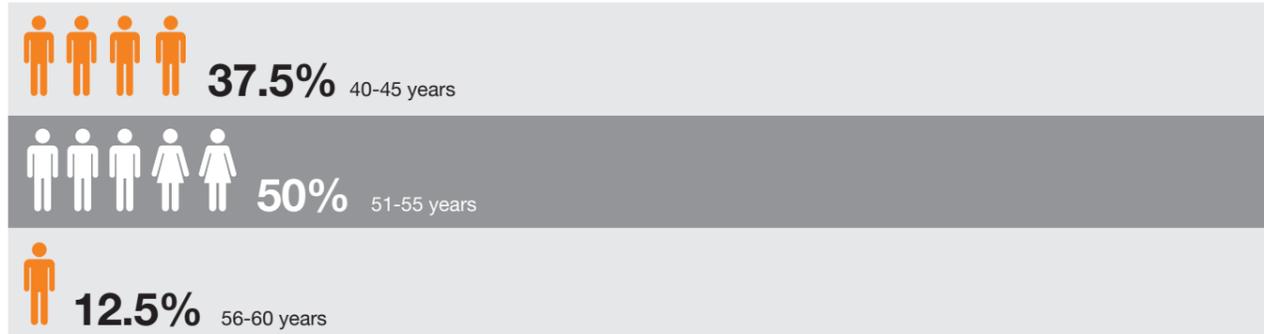
Management Board diversity



Length of tenure

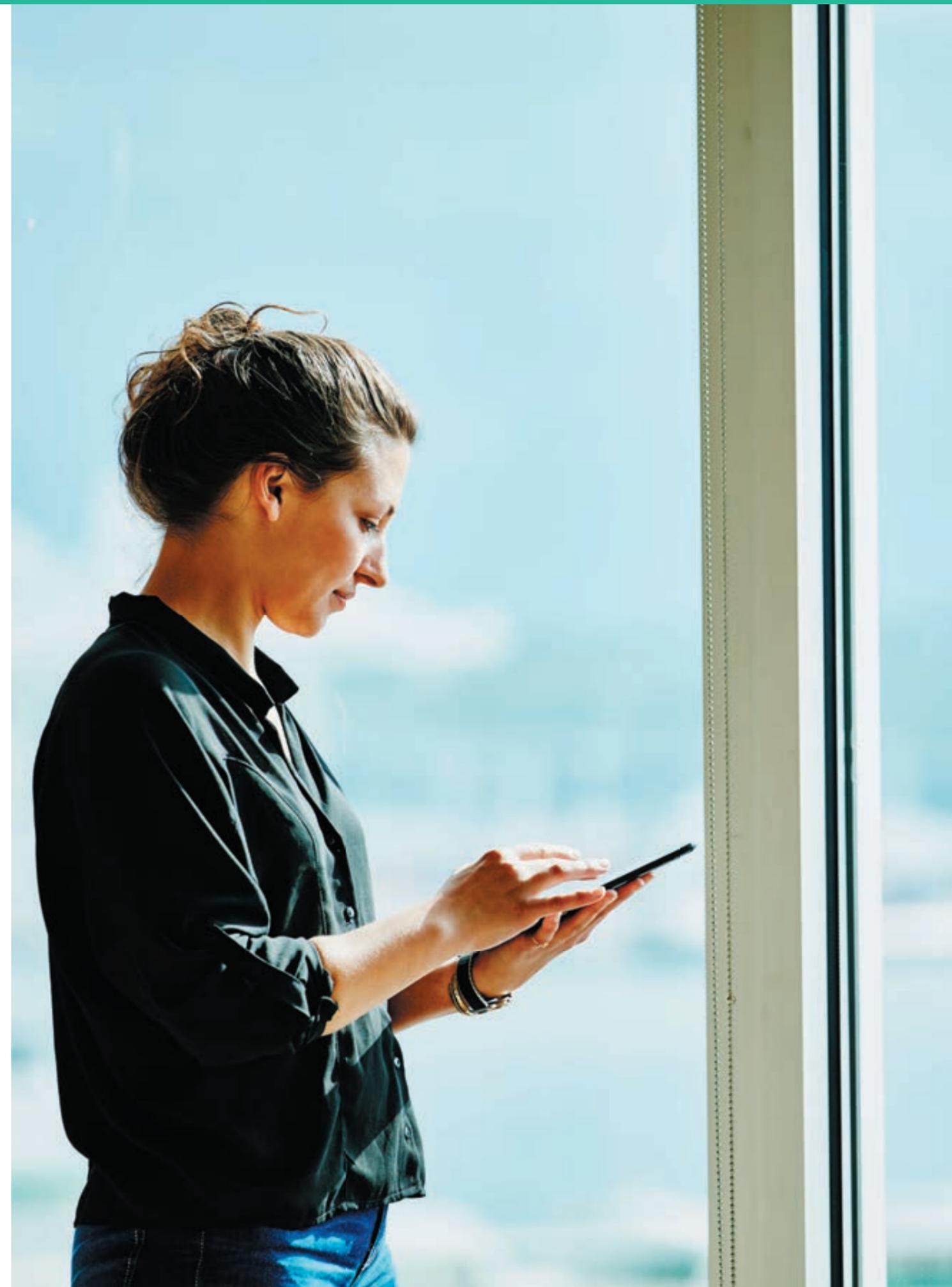


Age profile



Management Board skill matrix

	Economics and Finance	Management and Strategy	Law and Administration	Engineering and Technology	Psychology and Humanities	Sales and Marketing
Jean Francois Fallacher	✓	✓		✓		✓
Mariusz Gaca		✓		✓		✓
Bożena Leśniewska		✓			✓	✓
Jolanta Dudek		✓			✓	✓
Jacek Kowalski		✓			✓	
Maciej Nowohoński	✓	✓				✓
Witold Drożdż		✓	✓		✓	
Piotr Jaworski		✓		✓	✓	





Selected Financial Data

Orange Polska Group

Selected financial information for the year ended 31 December 2018

Translation of the financial statements originally issued in Polish
As published on 20 February 2019

The full report on consolidated full year 2018 results is available on our website
<http://orange-ir.pl/results-center/results/2018>

Consolidated Income Statement

<i>(in PLN millions, except for earnings/loss per share)</i>	12 months ended		
	Note	31 December 2018 IFRS 15 basis	31 December 2017 IAS 18 basis (see Note 2.2)
Revenue	5	11,101	11,381
External purchases	6.1	(6,449)	(6,416)
Labour expense	6.2	(1,582)	(1,690)
Other operating expense	6.3	(472)	(473)
Other operating income	6.3	253	218
Impairment of receivables and contract assets	6.3,16	(162)	(86)
Gains on disposal of assets	7	192	81
Employment termination expense	13	5	(208)
Depreciation and amortisation	10,11	(2,544)	(2,572)
(Impairment)/reversal of impairment of fixed assets	8	3	(6)
Operating income		345	229
Interest income	16	39	32
Interest expense and other financial charges	16	(261)	(279)
Discounting expense	16	(83)	(57)
Finance costs, net		(305)	(304)
Income tax	24.1	(30)	15
Consolidated net income/(loss)		10	(60)
Net income/(loss) attributable to owners of Orange Polska S.A.		10	(60)
Net income/(loss) attributable to non-controlling interests		-	-
Earnings/(loss) per share (in PLN)	31.4	0.01	(0.05)
Weighted average number of shares (in millions)	31.4	1,312	1,312

Consolidated Statement of Comprehensive Income

<i>(in PLN millions)</i>	12 months ended		
	Note	31 December 2018 IFRS 15 basis	31 December 2017 IAS 18 basis
Consolidated net income/(loss)		10	(60)
Items that will not be reclassified to profit or loss			
Actuarial losses on post-employment benefits	15	(4)	(3)
Income tax relating to items not to be reclassified		1	1
Items that may be reclassified subsequently to profit or loss			
Losses on cash flow hedges	21	(13)	(11)
Income tax relating to items that may be reclassified		3	2
Other comprehensive loss, net of tax		(13)	(11)
Total comprehensive loss		(3)	(71)
Total comprehensive loss attributable to owners of Orange Polska S.A.		(3)	(71)
Total comprehensive loss attributable to non-controlling interests		-	-

Consolidated Statement of Financial Position

(in PLN millions)	Note	At 31 December 2018 IFRS 15 basis	At 31 December 2017 IAS 18 basis
ASSETS			
Goodwill	9	2,147	2,147
Other intangible assets	10	4,871	5,256
Property, plant and equipment	11	10,738	10,666
Trade receivables	12.1	552	532
Contract assets	12.2	27	-
Contract costs	12.3	56	-
Derivatives	21	48	37
Other assets		53	72
Deferred tax assets	24.2	834	950
Total non-current assets		19,326	19,660
Inventories		240	217
Trade receivables	12.1	2,371	2,266
Contract assets	12.2	138	-
Contract costs	12.3	297	-
Derivatives	21	52	-
Other assets	7	214	78
Prepaid expenses		46	66
Cash and cash equivalents	20	611	646
Total current assets		3,969	3,273
TOTAL ASSETS		23,295	22,933

(in PLN millions)	Note	At 31 December 2018 IFRS 15 basis	At 31 December 2017 IAS 18 basis
EQUITY AND LIABILITIES			
Share capital	25.1	3,937	3,937
Share premium		832	832
Other reserves		(58)	(40)
Retained earnings		5,790	5,207
Equity attributable to owners of Orange Polska S.A.		10,501	9,936
Non-controlling interests		2	2
Total equity		10,503	9,938
Trade payables	14.1	473	550
Loans from related party	18.1	5,258	5,485
Other financial liabilities at amortised cost	18.2	123	68
Derivatives	21	31	58
Provisions	13	468	553
Contract liabilities	12.4	331	-
Employee benefits	15	136	139
Other liabilities	14.2	26	16
Deferred income	14.3	-	83
Total non-current liabilities		6,846	6,952
Trade payables	14.1	2,469	2,421
Loans from related party	18.1	2,074	1,484
Other financial liabilities at amortised cost	18.2	76	45
Derivatives	21	19	42
Provisions	13	217	854
Contract liabilities	12.4	460	-
Employee benefits	15	201	221
Income tax liabilities		54	19
Other liabilities	14.2	376	479
Deferred income	14.3	-	478
Total current liabilities		5,946	6,043
TOTAL EQUITY AND LIABILITIES		23,295	22,933

Consolidated Statement of Changes in Equity

(in PLN millions)	Other reserves				Share capital	Share premium	Cash flow hedge reserve	Actuarial losses on post-employment benefits		Deferred tax	Retained earnings	Equity attributable to owners of OPL S.A.	Non-controlling interests	Total equity
	Share capital	Share premium	Cash flow hedge reserve	Actuarial losses on post-employment benefits				Deferred tax	Retained earnings					
Balance at 1 January 2018	3,937	832	(2)	(47)	9	5,207	9,936	2	9,938					
The effect of adoption of IFRS 15 (see Note 2.1)	-	-	-	-	-	583	583	-	583					
The effect of adoption of IFRS 9 (see Note 2.2)	-	-	-	-	-	(11)	(11)	-	(11)					
Balance at 1 January 2018 after adoption of IFRS 15 and IFRS 9	3,937	832	(2)	(47)	9	5,779	10,508	2	10,510					
Total comprehensive loss for the 12 months ended 31 December 2018	-	-	(13)	(4)	4	10	(3)	-	(3)					
Share-based payments (see Note 25.3)	-	-	-	-	-	1	1	-	1					
Transfer to inventories	-	-	(5)	-	-	-	(5)	-	(5)					
Balance at 31 December 2018	3,937	832	(20)	(51)	13	5,790	10,501	2	10,503					
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					

Consolidated Statement of Cash Flows

(in PLN millions)	12 months ended		
	Note	31 December 2018 IFRS 15 basis	31 December 2017 IAS 18 basis
OPERATING ACTIVITIES			
Consolidated net income/(loss)		10	(60)
Adjustments to reconcile net income/loss to cash from operating activities			
Gains on disposal of assets	7	(192)	(81)
Depreciation and amortisation	10,11	2,544	2,572
Impairment/(reversal of impairment) of fixed assets	8	(3)	6
Finance costs, net		305	304
Income tax	24.1	30	(15)
Change in provisions and allowances	28.b	(685)	111
Operational foreign exchange and derivatives (gains)/losses, net		(3)	8
Change in working capital			
Increase in inventories, gross		(25)	(53)
Increase in trade receivables, gross	12.1	(225)	(334)
Decrease in contract assets, gross	12.2	166	-
Decrease in contract costs	12.3	51	-
Decrease in trade payables		(1)	(106)
Increase in contract liabilities	12.4	232	-
Increase in prepaid expenses and other receivables		(34)	(5)
Increase/(decrease) in deferred income and other payables	14.3	(22)	62
Interest received		39	32
Interest paid and interest rate effect paid on derivatives, net		(363)	(363)
Exchange rate and other effect paid on derivatives, net		(5)	(6)
Income tax paid		(7)	(8)
Net cash provided by operating activities		1,812	2,064
INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets	10,11	(2,282)	(1,933)
Increase/(decrease) in amounts due to fixed assets suppliers		116	(126)
Investment grants received	14.2	5	297
Investment grants paid to fixed assets suppliers	14.2	(64)	(1)
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net		5	(7)
Proceeds from sale of property, plant and equipment and intangible assets		156	113
Cash paid for subsidiaries, net of cash acquired	4	(2)	(31)
Receipts from other financial instruments		-	1
Net cash used in investing activities		(2,066)	(1,687)
FINANCING ACTIVITIES			
Repayment of long-term debt	19	(44)	(31)
Increase in revolving credit line and short-term debt	19	263	39
Exchange rate effect paid on derivatives hedging debt, net	19	-	(1)
Net cash provided by financing activities		219	7
Net change in cash and cash equivalents		(35)	384
Cash and cash equivalents at the beginning of the period	20	646	262
Cash and cash equivalents at the end of the period	20	611	646

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 2018 and 2017.

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 before depreciation and amortisation expense and impairment of fixed 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 2018 and 2017 are presented in the table below.

Basic financial data of the operating segment is presented below:

(in PLN millions)	12 months ended	
	31 December 2018	31 December 2017
Revenue (IFRS 15 basis) ⁽¹⁾	11,101	Not applicable
Revenue (IAS 18 comparable basis) ⁽¹⁾	11,296	11,381
Adjusted EBITDA (IFRS 15 basis)	2,881	Not applicable
Adjusted EBITDA (IAS 18 comparable basis)	3,104	3,011
Net income as per consolidated income statement (IFRS 15 basis)	10	Not applicable
Net income/(loss) as per consolidated income statement (IAS 18 comparable basis)	190	(60)
Adjusted organic cash flows	453	111
Adjusted capital expenditures	2,250	1,933

(1) There was no adjustment for the 12 months ended 31 December 2018 and 2017.

	At 31 December 2018	At 31 December 2017
Net financial debt (in PLN millions, see Note 17)	6,850	6,497
Net financial debt/adjusted EBITDA ratio (IFRS 15 basis)	2.4	Not applicable
Net financial debt/adjusted EBITDA ratio (IAS 18 comparable basis)	2.2	2.2

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 2018 and 2017 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 2018 and 2017 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.

Adjustments made to financial data of the operating segment are presented below:

(in PLN millions)	12 months ended	
	31 December 2018	31 December 2017
EBITDA (IFRS 15 basis)	2,886	Not applicable
- adjustment for the impact of Social Agreement (see Note 13)	(5)	Not applicable
Adjusted EBITDA (IFRS 15 basis)	2,881	Not applicable
EBITDA (IAS 18 comparable basis)	3,109	2,807
- adjustment for the impact of Social Agreement, consisting of employment optimisation programme expense, net of resulting curtailment of long-term employee benefits (see Notes 13 and 15)	(5)	204
Adjusted EBITDA (IAS 18 comparable basis)	3,104	3,011
Organic cash flows	(252)	407
- adjustment for payment of European Commission fine (see Note 28)	646	-
- adjustment for investments grants received	(5)	(297)
- adjustment for investment grants paid to fixed assets suppliers	64	1
Adjusted organic cash flows	453	111
Capital expenditures	2,282	1,933
- adjustment for expenditures on acquisition of telecommunications licences (see Note 10)	(32)	-
Adjusted capital expenditures	2,250	1,933



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.160
	GRI 102-4	Location of operations	p.10
	GRI 102-5	Ownership and legal form	pp.11, 96
<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 2018, 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.33-34
	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.phtml), Partnership for Environment (www.gridw.pl/partnerstwo), Programme Accessibility Plus https://www.funduszeuropejskie.gov.pl/strony/o-funduszach/fundusze-europejskie-bez-barier/dostepnosc-plus/partnerstwo-na-rzecz-dostepnosc/. These initiatives are voluntary.</p>			
	GRI 102-13	Membership of associations	
<p>Domestic organisations: Employers of the Republic of Poland, "Lewiatan" Confederation, National Chamber of Commerce, 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 (on the Group level), 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.82-85
	GRI 102-16	Values, principles, standards, and norms of behavior	pp.10,48,112
<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.112
	GRI 102-18	Governance structure, including committees under the highest governance body	p. 92-96, 98-110

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
	GRI 102-22	Composition of the highest governance body and its committees (number of members and their gender)	pp.98,93-95,99-199,112, 115
	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.90-91,98-99,124-125
	GRI 102-24	Criteria used for nominating and selecting members of the highest governance body and its committees	pp.91,93-95,98-99, 104,107-108
	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.95
	GRI 102-26	Role of the highest governance body in setting the organisation's purpose, values and development strategy	pp.36,92-105,113-114, 124-131
	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.116-121
	GRI 102-36	Process for determining remuneration	pp.94-95,113-116
	GRI 102-40	List of stakeholder groups engaged by the organisation List of stakeholder groups engaged by the organisation List of stakeholder groups engaged by the organisation List of stakeholder groups engaged by the organisation	pp.12-13
	GRI 102-41	Employees covered by collective bargaining agreements	pp.71-72,150
	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
	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, 153
	GRI 102-47	List of material topics	pp.16-17, 156
	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 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.160
	GRI 102-54	Claims of reporting in accordance with the GRI Standards: Core or Comprehensive option	This report has been prepared in accordance with the GRI Standards: Core option
	GRI 102-55	GRI content index	pp.146-155
	GRI 102-56	Policy and current practice with regard to seeking external assurance for the report	p.

Management Approach	103		
	GRI 103-1	Explanation of topics identified as material and their boundaries	pp.16–17, p.156
	GRI 103-2	The management approach and its components	pp.35,40–41,48,52–53, 64–72,108–110
	GRI 103-3	Evaluation of the management approach	pp. 36,40-41,48,52-53, 64-72,102-103, 108-110
ECONOMIC	200		
Market Presence	202		
	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Attachment A. Social Data
	202-2	Proportion of senior management hired from the local community	
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.111
	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	
In 2018, the appeal proceedings on the fine for abuse of dominant position were concluded. The matter was presented in the note 28. Litigation, claims and contingent liabilities to IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018- p. 47 http://www.orangeir.pl/sites/default/files/OPL_Consolidated_FY_2018_report.pdf			
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
	302-4	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

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
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 2018.			
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.71
Occupational Health and Safety	403		
	403-1	Workers representation in formal joint management-worker health and safety committees, which advise on and monitor occupational health and safety programmes	100%
	403-2*	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Attachment A. Social Data
Occupational exposure and a disease included in the current list of occupational diseases, namely a chronic disease of the vocal organ related to excessive voice effort (lasting at least 15 years), was confirmed in one case. It involves paresis of the intrinsic laryngeal muscles with spindle-shaped glottal insufficiency and permanent dysphonia. The disease was diagnosed in a female employee who worked as a telephone operator in the 1990s, then, from 1999, successively as a clerk, cashier, customer advisor and customer service & sales specialist. The proceedings began in 2017. Currently, the Company's appeal is pending * 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.			
	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.71-72
	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		
	405-1	Composition of the organisation's governance bodies and workforce by gender, age and other diversity categories	
	405-2	Ratio of basic salary and remuneration of women to men by position	Attachment A. Social Data
Non-discrimination	406		

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
	406-1	Incidents of discrimination and corrective actions taken	No such incidents were reported to the Ethics Committee in 2018.
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.66–68
	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. 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>In line with Chapter 7 of the Orange Polska Anti-corruption Guidelines, Orange prohibits all kinds of contributions from the Company (cash, valuable items, goods or services, loans, loan securities) made directly or indirectly to political parties. In the period from 1 January to 31 December 2018, no financial and no in-kind contributions were granted to political parties, politicians or related institutions by country.</p>			
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. 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). 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). 			

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
5G technology			
<p>The 5G network has no confirmed negative or positive impact on people - both in terms of the intensity of the electromagnetic field and the range of frequencies used. Devices used in 5G technology will not exceed the standards applicable in Poland regarding the intensity of the electromagnetic field. The standards have been established on the basis of scientific research in such fields as medicine, epidemiology, biology and dosimetry, in accordance with the guidelines of the International Commission on Non-Ionizing Radiation Protection (ICNIRP). Radio waves are electromagnetic waves with a frequency even lower than infrared or visible light (which is also an electromagnetic wave). Therefore, radio waves are not ionizing radiation (such as X-rays), and the levels used in mobile networks guarantee security with a large margin of protection. The electromagnetic field used in mobile telephony has no confirmed adverse effect on humans. Radio waves and microwaves are not considered a potential cause of cancer by the World Health Organization (WHO). They have been included in the category of phenomena and substances whose impact on the development of tumors requires further research, but this does not mean that, according to WHO, such an effect exists.</p>			
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	
<p>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 2018. 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 2018.</p>			
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	
<p>No incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling were reported in 2018.</p>			
	417-3	Incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications	
<p>In 2018, one advertisement was considered by the Advertising Ethics Commission to be contrary to the Code of Advertising Ethics.</p>			
Customer Privacy	418		
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	
<p>Our customers filed 12 complaints with the Inspector General for Personal Data Protection (GIODO) in 2018. 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 2018. 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.</p>			
Socioeconomic Compliance	419		
	419-1	Non-compliance with laws and regulations in the social and economic area	
<p>There were no other penalties, except from the penalty imposed by UOKiK described in 417-3.</p>			

Social Data

		2017	2018	
GRI	Employment			
G102-8	Total workforce (active persons)*	14,615	13,222	
	Gender			
	men	8,695	8,052	
	women	5,920	5,170	
	% of women in the workforce	40.5%	39.1%	
	Age			
	up to 30 years of age	1,024	893	
	31-50 years of age	10,204	9,046	
	over 50 years of age	3,387	3,283	
	Full-time employees	14,587	13,197	
	men	8,688	8,047	
	women	5,899	5,150	
	Employees on open-ended contracts	14,128	12,761	
	men	8,485	7,842	
	women	5,643	4,919	
	Employees on fixed-term contracts	487	461	
	men	210	210	
	women	277	251	
	Full-time employees	14,514	13,139	
	men	8,678	8,038	
	women	5,836	5,101	
	Part-time employees	101	83	
	men	17	14	
	women	84	69	
	Outsourced employees (full-time equivalent)*	5,480	4,344	
	* Only for Orange Polska- applies mainly to the call center for the customer service area, telesales and customer market service - operators.			
	Employees in managerial positions	1,819	1,643	
	men	1,224	1,103	
	women	595	540	
	% of women in managerial positions	32.7%	32.9%	
	People with disabilities in general employment			
	% of employees with disabilities	1.7%	1.8%	
	G405-2	Ratio of basic salary of women to men by employee position (men's salary = 100%)		
general		79.4%	79.5 %	
non-managerial positions		82%	81.8%	
managerial positions		83.5%	82.5%	
Ratio of salary of women to men within the same pay grades (men's salary = 100%)*		no data	97.1%	
* In order to better account for differences in salaries between men and women, we have introduced an additional indicator for individual pay grades. This shows a lower gender pay gap. It means that the differences between men's and women's salaries result from a different structure of positions, as more women hold low-wage positions (call center and outlet staff), while technical positions (network engineers, IT specialists) are held chiefly by men.				

		2017	2018	
G404-1	Development and education			
	Total employees trained (in '000)	15.14	13.9	
	Total hours of training (in '000)	484.5	348.2	
	Number of training hours per employee per year	32	25	
	Gender			
	men	30.0	23.6	
	women	35.9	26.9	
	Position			
	managers	35.8	35.5	
	non-managers	30.75	23.4	
	* data refer to Orange Polska and Integrated Solution. Data by the status of the training database - 31.12.2018			
	Human rights and ethics training			
	Total hours of ethics training of employees	635	259	
	Total hours of ethics training of partners	588	208	
	Anti-bribery and corruption training			
	Total hours of compliance training of employees (in '000)	1.8	1	
	Total hours of compliance training of partners (in '000)	1	0,6	
	G401-1	Professional mobility		
		Total number of new employee hires	552	476
		Gender		
men		307	275	
women		245	201	
Age				
up to 30 years of age		238	223	
31-50 years of age		293	238	
over 50 years of age		21	15	
Departures, total		1,301	1,487	
Departures, excluding voluntary		568	469	
Gender				
men		359	285	
women		209	184	
Age				
up to 30 years of age		154	90	
31-50 years of age		376	343	
over 50 years of age		38	36	
Turnover*		3.8%	2.8%	
Gender				
men	4.0%	2.9%		
women	3.4%	2.7%		
Age				
up to 30 years of age	16.8%	8.5%		
31-50 years of age	3.5%	3%		
over 50 years of age	1.1%	0.5%		
* 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)				

	2017	2018	
G403-2	Occupational health and safety*		
	Number of accidents	45	26
	Accident frequency rate**	3.0	2.2
	Days off work due to work-related accidents	994	1,584
	Accident severity rate***	22.1	61.0
	fatal accidents	0	0
	serious accidents	0	0
	other accidents	45	26
	* only for Orange Polska * only for Orange Polska * only for Orange Polska ** Number of persons (the average number of employees at the end of each month) injured in work-related accidents per 1,000 employees *** Number of days off per accident		
	Number of accidents *		31
	Days off work due to work-related accidents		1,792
	fatal accidents		0
	serious accidents		0
	other accidents		31
	* for Orange Group		
G404-3	Employee assessment *		
	% of regularly evaluated employees **	94.4%	80.2%
	Gender		
	men	94.8%	81.3%
	women	93.8%	78.5%
	% of employees with individual development plans **	82.3%	81.5 %
	Scheduled development tasks	22,607	
	% of regularly evaluated outsourced employees	97.8%	35.7%
	% of outsourced employees with individual development plans	73.4%	42%
	* The development and education data for the Orange Polska Group cover the following: Orange Polska S.A., TP Teltech, Integrated Solutions and Orange Foundation. ** In 2018, the assessment system was changed to 360-degree Feedback, which resulted in a decrease in the share of evaluated employees. * The development and education data for the Orange Polska Group cover the following: Orange Polska S.A., TP Teltech, Integrated Solutions and Orange Foundation. ** In 2018, the assessment system was changed to 360-degree Feedback, which resulted in a decrease in the share of evaluated employees.		
Wages	Average basic salary (in PLN)	6,791	7,114
	Ratio of wages at the lowest positions to the legal minimum wage	149%	138%
	Working conditions		
% of employees eligible for health care	100%	100%	
% of employees covered by the Employee Retirement Plan*	81.5%	52.2%	
* The Employee Retirement Plan has been expanded to include additional companies. Now, employees of Orange Polska, Telefony Podlaskie, Orange Szkolenia, TP Teltech, Pracownicze Towarzystwo Emerytalne Orange Polska S.A., Fundacja Orange (Orange Foundation) and Integrated Solutions Sp. z o.o. are eligible for participation.			
G102-41	Social dialogue		
	% of employees in trade unions	30.8%	30.3%
% of employees covered by the Collective Labour Agreement	95.7%	95.3%	

All indicators for the Orange Polska Group unless indicated otherwise

Environmental Data

Environmental Data *				
GRI	Energy	Unit	2017	2018 **
	Energy			
G302-1	KPI: Electricity consumption/customer	kWh/customer	27.4	26.5
	Direct energy consumption by primary energy sources			
	Fuel (all buildings, all uses)	'000 m3	2.2	2
	Gas	'000 m3	3,103	2,842
	Coal	tonnes	70.8	55.6
	petrol-LPG vehicles company	000 litres	765	1,072
	Diesel vehicles company	000 liters	3,240	2,863
	Energy produced during combustion, primary sources	GWh	57	54
	Total energy Scope 1	GWh	97	92
	G302-2	Indirect energy consumption, primary energy sources		
Electricity		GWh	581	564
G305-1 G305-2	Greenhouse gas emissions ***			
	CO2 emissions excluding transport	'000 tonnes	454.7	447.5
	Total CO2 emissions during transport	'000 tonnes	10.7	10.4
	Total CO2 emissions Total CO2 emissions	'000 tonnes	465.4	457.9
	KPI: CO2 emissions during electricity consumption/customer	kg/customer	20.7	26.5
G301-1	KPI: CO2 emissions (all energies)/customer	kg/customer	22	20
	Materials			
G303-1	Waste paper, cardboard boxes: internally and externally	'000 tonnes	1.8	0.8
	Water	'000 m3	315	255.7
G306-2	Waste			
	Internal WEEE (network & tertiary)	tonnes	70.4	94.6
	Wooden poles	tonnes	190.9	321.5
	Cables	tonnes	287.9	179.9
	Batteries	tonnes	101.8	115.7
	Paper / Cardboard	tonnes	13.8	18.8
	Other hazardous waste (including PCB)	tonnes	7.0	2.58
	Other non-hazardous waste	tonnes	1,050.4	2,067.2
	Waste recycled internally	tonnes	1,722.2	2,800.3
	Waste electrical and electronic equipment			
Collected and recycled handsets	pcs.	42,869	16,034	
Refurbished and relaunched handsets***	pcs.	8,138	5,644	
Refurbished and relaunched multimedia (broadband) devices	'000	396	511	
Electromagnetic field emissions				
Compliance with the relevant standards		yes	yes	
* The indicated environmental indicators are the same for the Group and Orange Polska, as the latter owns the buildings and network infrastructure which constitute the basis for determining energy consumption and greenhouse gas emissions, whereas EMF emissions and handset recycling and refurbishment are characteristic of Orange Polska only.				
** Due to non-availability of some data for Q4 before the deadline of this Report, the presented full-year figures consist of actual data for Q1, Q2 and Q3 and estimates for Q4				
*** 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 decrease in refurbished devices has been a result of lower distribution of new terminals, enhanced quality of products, mobile market saturation and elimination of gaps in the process of terminal returns.				

The process of defining the Report's content

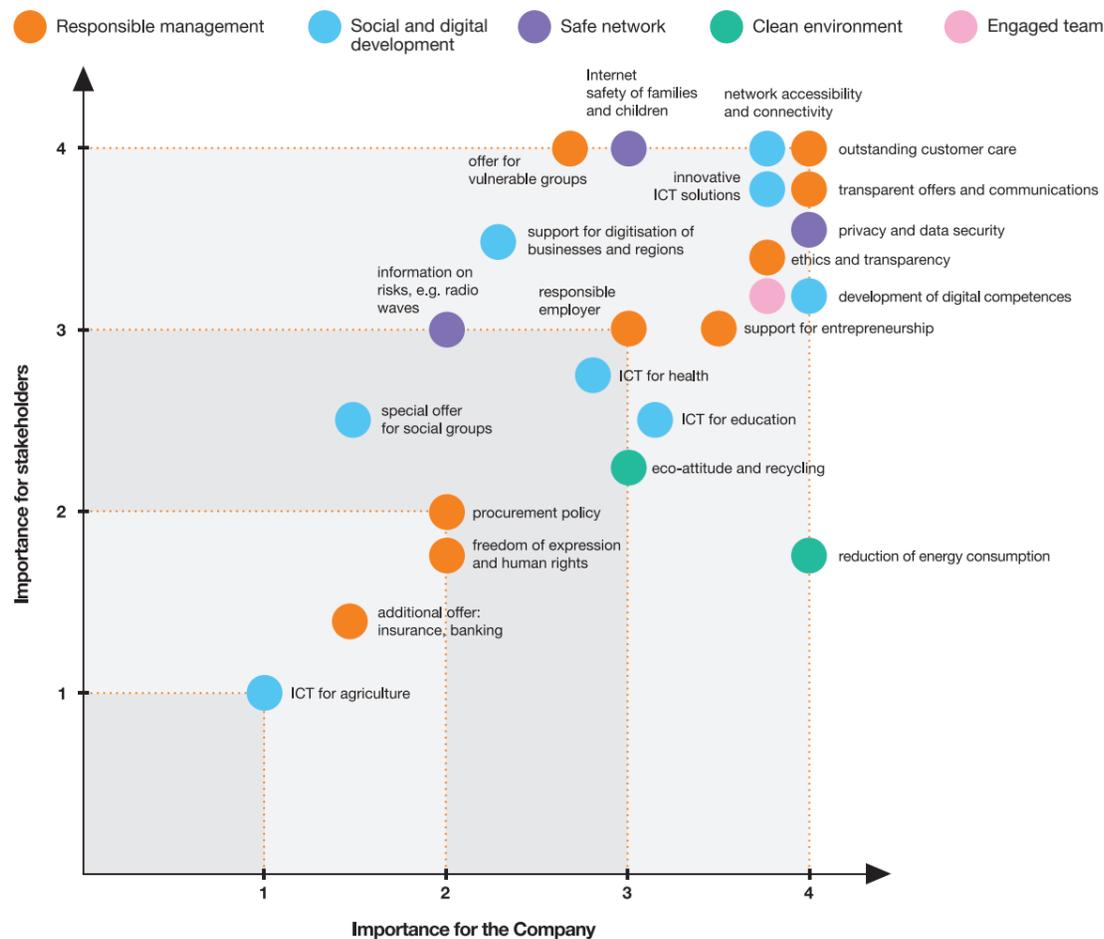
A process of defining the key aspects of reporting for Orange has involved the following:

- 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 telecoms 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.
- Supervisory Board recommendation regarding report's improvement.

As part of the CSR strategy update dialogue in 2018, we conducted public opinion polls on corporate social responsibility and expectations in relation to Orange in this area. According to the respondents, Orange should implement all areas indicated in the strategy - i.e. safety on the Internet, ethical behaviour towards employees, clients and business partners, and taking care of Orange employees, environmental protection, socio-digital development, reliable and responsible communication, care for human rights in the supply chain and supporting innovation (over 80% of responses).

CSR strategy areas

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
1 NO POVERTY	pp.66–67
3 GOOD HEALTH AND WELL-BEING	p.71
4 QUALITY EDUCATION	pp.66-68, 71
5 GENDER EQUALITY	pp.66-68
8 DECENT WORK AND ECONOMIC GROWTH	pp.24-25, 67, 71
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	pp.24, 43-44, 67-68
10 REDUCED INEQUALITIES	pp.28, 35, 70-71
11 SUSTAINABLE CITIES AND COMMUNITIES	pp.43, 68
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	pp.62-65
13 CLIMATE ACTION	pp.64-65
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	pp.35, 111-112
17 PARTNERSHIPS FOR THE GOALS	pp.66-68

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

4G – fourth generation of mobile technology, sometimes called LTE (Long Term Evolution)

5G – term used to describe the next-generation of mobile networks beyond LTE mobile networks

Access Fee – revenues from monthly fee from New Tariff Plans (incl. Free minutes)

ARPO – Average Revenues per Offer

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

EBITDAaL – EBITDA after leases

F2M – Fixed to Mobile Calls

FBB – Fixed Broadband

FTE – Full time equivalent

FTTH – Fibre To The Home

FVNO – Fixed Virtual Network Operator

Home Zone (or Office Zone for business customers) – area within range of predefined base stations which cover the particular location (home/office).

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

SMP – Significant Market Power

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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