

HAWE S.A., Warsaw

REPORT OF THE SUPERVISORY BOARD OF HAWE S.A.
ON ITS ACTIVITY IN 2010
AND ON ITS EVALUATION OF THE STATEMENTS FOR 2010

Warsaw, 1 June 2011

This Report has been prepared pursuant to the following regulations:

- Article 382(3) of the Commercial Companies Code;
- part III paragraph 1(1) and (2) of the annex to Resolution 17/1249/2010 of the Exchange Supervisory Board of 19 May 2010 titled "Best Practices for Companies Listed on the Warsaw Stock Exchange";
- §27(2)(a), (b), (c), (g), (r) of the Company's Statutes;
- §18 VI(4) of the Supervisory Board Rules;
- §19 VII(4) of the Supervisory Board Rules.

COMPOSITION OF THE SUPERVISORY BOARD AND CHANGES IN 2010

As at 1 January 2010 the Management Board and Supervisory Board of HAWE S.A. were composed of the following persons:

Robert Kwiatkowski	– President of the Management Board
Andrzej Laskowski	– Vice-President of the Management Board
Małgorzata Głąbicka	– Member of the Management Board

Robert Szydłowski	– Chairman of the Supervisory Board
Waldemar Falenta	– Vice-Chairman of the Supervisory Board
Jarosław Dziewa	– Member of the Supervisory Board
Paweł Filipiak	– Member of the Supervisory Board
Mariusz Pawlak	– Member of the Supervisory Board
Ryszard Strużak	– Member of the Supervisory Board

On 20 April 2010 Ms Małgorzata Głąbicka resigned as Member of the Management Board.

On 20 April 2010 Mr Andrzej Laskowski resigned as Vice-President of the Management Board.

On 20 April 2010 the Supervisory Board appointed Mr Piotr Kubaszewski as Member of the Management Board for the term of office which began on the day of the Ordinary General Meeting of Shareholders approving the statements for 2008, namely 16 June 2009. Mr Piotr Kubaszewski supervised the area of finance in the HAWE Group, while also acting as Vice-President (Finance) in the dependent companies HAWE Telekom Sp. z o.o. (formerly PBT HAWE Sp. z o.o.) and HAWE Budownictwo Sp. z o.o.

On 29 June 2010, the day of the Ordinary General Meeting of Shareholders approving the statements for the 2009 financial year, the Supervisory Board's term of office expired. The General Meeting of Shareholders elected, for the subsequent term of office, a Supervisory Board consisting of Jarosław Dziewa, Waldemar Falenta, Paweł Filipiak, Dariusz Maciejuk, Paweł Miller, Mariusz Pawlak and Robert Szydłowski.

On 9 July 2010 the Supervisory Board constituted and elected Mr Jarosław Dziewa as its Chairman and Mr Mariusz Pawlak as its Vice-Chairman.

On 29 December 2010 Mr Robert Szydłowski resigned from the Supervisory Board.

On 29 December 2010 Mr Paweł Filipiak resigned from the Supervisory Board.

On 30 December 2010 Mr Jarosław Dziewa resigned from the Supervisory Board.

On 30 December 2010 Mr Paweł Miller resigned from the Supervisory Board.

On 30 December 2010 the Company's Extraordinary General Meeting of Shareholders appointed Mr Jerzy Karney as Member of the Supervisory Board.

On 30 December 2010 the Company's Extraordinary General Meeting of Shareholders appointed Mr Andrzej Kleszczewski as Member of the Supervisory Board.

As at 31 December 2010 the Management Board and Supervisory Board of HAWE S.A. were composed of the following persons:

Robert Kwiatkowski – President of the Management Board

Piotr Kubaszewski – Member of the Management Board

Mariusz Pawlak – Vice-Chairman of the Supervisory Board

Waldemar Falenta – Member of the Supervisory Board

Jerzy Karney – Member of the Supervisory Board

Andrzej Kleszczewski – Member of the Supervisory Board

Dariusz Maciejuk – Member of the Supervisory Board

After the end of the reported period, on 12 January 2011, the Supervisory Board constituted and elected Mr Waldemar Falenta as Chairman of the Supervisory Board.

After the end of the reported period, on 20 January 2011, the Supervisory Board dismissed Mr Robert Kwiatkowski from the position of President and Mr Piotr Kubaszewski from the position of Member of the Management Board. On the same day the Supervisory Board appointed Mr Krzysztof Rybka as President of the Management Board.

After the end of the reported period, on 21 February 2011, the Company's Extraordinary General Meeting of Shareholders appointed Mr Arkadiusz Gierałt, Mr Lesław Podkański and Mr Jacek Ryński as Members of the Supervisory Board.

After the end of the reported period, on 4 March 2011, Mr Jerzy Karney resigned from the Supervisory Board.

After the end of the reported period, on 4 March 2011, Mr Krzysztof Rybka resigned from the position of the President of the Management Board.

After the end of the reported period, on 4 March 2011, the Supervisory Board appointed Mr Jerzy Karney as President of the Management Board and Mr Krzysztof Rybka as Vice-President of the Management Board.

As at the day of publication of this Report, the Management Board and Supervisory Board of HAWE S.A. are composed of the following persons:

Jerzy Karney	– President of the Management Board
Krzysztof Rybka	– Vice-President of the Management Board
Waldemar Falenta	– Chairman of the Supervisory Board
Mariusz Pawlak	– Vice-Chairman of the Supervisory Board
Arkadiusz Gierałt	– Member of the Supervisory Board
Andrzej Kleszczewski	– Member of the Supervisory Board
Dariusz Maciejuk	– Member of the Supervisory Board
Lesław Podkański	– Member of the Supervisory Board
Jacek Ryński	– Member of the Supervisory Board

REPORT ON THE WORK OF THE SUPERVISORY BOARD IN 2010

During the reported period the Supervisory Board held 9 meetings:

- 20 April 2010,
- 24 June 2010,
- 9 July 2010,
- 21 July 2010,
- 5 October 2010,
- 9 November 2010,
- 17 November 2010,
- 26 November 2010,
- 20 December 2010.

All meetings of the Supervisory Board which were called were attended by sufficient members to enable the adoption of resolutions. At its meetings the Supervisory Board considered matters arising from the provisions of the Commercial Companies Code and from the needs of the Company's current activity. At all of its meetings the Supervisory Board obtained information concerning the current state of progress of investment relating to the construction of the HAWE All-Poland Fibre-Optic Network.

Moreover in period between meetings the Supervisory Board adopted resolutions by circulation among members, in accordance with current needs.

In 2010 the Supervisory Board adopted a total of 54 resolutions. The work undertaken by the Supervisory Board in the reported period included matters relating to:

- discussion and evaluation of the Company's financial statement and the Management Board's report on the Company's activity in the 2009 financial year;
- discussion and evaluation of the consolidated financial statement of the HAWE Group and the Management Board's report on the Group's activity in the 2009 financial year;
- discussion and evaluation of the Management Board's proposal for distribution of the profit for the 2009 financial year;
- adoption of the report of the Supervisory Board of HAWE S.A. on its activity in 2009;
- changes to the composition of the Management Board;
- determination of principles for the remuneration of members of the Management Board;
- election of the Chairman and Vice-Chairman of the Supervisory Board;
- election of additional members to the remuneration committee;
- changes to the composition of the audit committee;
- approval of the Company's annual financial plan (budget) for 2010;
- approval of the HAWE Group's annual financial plan (consolidated budget) for 2010;
- determination of the consolidated text of the Company's Statutes following changes made by the Ordinary General Meeting of Shareholders on 29 June 2010;
- selection of an auditor for the statements for the 2009 financial year;
- giving of consent for the granting of a guarantee and a loan to the dependent company HAWE Telekom Sp. z o.o. (formerly PBT Hawe Sp. z o.o.);
- giving of consent for the Company's establishing a new dependent company;
- giving of consent for changes to the Company's bond issuing programme;

- giving of consent for the establishment of security for the bond issuing programme;
- giving of consent for the taking on of a financial obligation by the dependent company HAWE Telekom Sp. z o.o. (formerly PBT Hawe Sp. z o.o.);
- giving of consent for an increase in the share capital of the dependent company HAWE Telekom Sp. z o.o. (formerly PBT Hawe Sp. z o.o.);
- giving of consent for the deprivation of existing shareholders of the pre-emptive right to acquire new shares, in relation to the raising of the Company's share capital within the limits of the target capital through the issuing of 2 000 000 series G shares and the awarding of a packet of shares in the Company to Robert Kwiatkowski;
- conclusion of an amendment to the employment contract with Robert Kwiatkowski in relation to the awarding of a packet of shares in the Company and the conclusion of a "lock up" agreement.

The Supervisory Board positively evaluates the work of the Supervisory Board in 2010.

REPORT ON THE ACTIVITY OF SUPERVISORY BOARD COMMITTEES IN 2010

As at 1 January 2010 the committees of the Company's Supervisory Board were composed of the following persons:

Audit Committee:

- Jarosław Dziewa – Committee Chair
- Paweł Filipiak – Committee Member
- Robert Szydłowski – Committee Member

Remuneration Committee:

- Waldemar Falenta – Committee Chair
- Robert Szydłowski – Committee Member

As at 29 December 2010 the committees of HAWE S.A.'s Supervisory Board were composed of the following persons:

Audit Committee:

- Paweł Miller – Committee Chair
- Jarosław Dziewa – Committee Member
- Dariusz Maciejuk – Committee Member

Remuneration Committee:

- Mariusz Pawlak – Committee Chair
- Paweł Filipiak – Committee Member
- Robert Szydłowski – Committee Member

By a Supervisory Board resolution of 12 January 2011, the Supervisory Board's Audit Committee and Remuneration Committee were wound up. The Supervisory Board decided to appoint Supervisory Board Committees at its next meeting.

The Audit Committee provided opinions and recommendations to the Supervisory Board on the selection of an auditor to audit the financial statements of the Company and the Group for the financial year from 1 January 2009 to 31 December 2009 and to review the financial statements of the Company and the Group for the first half of 2009. The opinions issued by the Audit Committee related to, among other matters, the auditor's remuneration, the scope of work and final terms of the contract.

The Remuneration Committee provided opinions on:

- a draft of information concerning the remuneration of members of the Company's Supervisory Board and Management Board in 2009;
- a draft of information concerning the determination of principles for the remuneration of Mr Piotr Kubaszewski for serving as a Member of the Management Board;
- a draft of information concerning the principles of operation of the Company's Motivational Programme.

The Supervisory Board positively evaluates the work of the Supervisory Board's committees in 2010.

GENERAL EVALUATION OF THE COMPANY'S ACTIVITY IN 2010

Inspection of the Company's financial statement within the meaning of the *Act on accounting*, for the period from 1 January 2010 to 31 December 2010, was carried out by the auditing firm PKF Audyt Sp. z o.o.

Pursuant to Article 382(3) of the Commercial Companies Code and the terms of the Company's Statutes, the Supervisory Board made an evaluation of the financial statement for the period from 1 January 2010 to 31 December 2010, consisting of:

- introduction to the financial statement,
- balance sheet as at 31 December 2010 showing total assets and total liabilities and equity of 476 800 000 PLN,
- profit and loss account for the financial year from 1 January 2010 to 31 December 2010, showing a net loss of 332 000 PLN,
- table of equity changes for the financial year from 1 January 2010 to 31 December 2010, showing a decrease in equity by 335 000 PLN,
- cash flow statement for the financial year from 1 January 2010 to 31 December 2010, showing an increase in cash by 5 054 000 PLN,
- supplementary information.

The Supervisory Board also made an evaluation of the consolidated financial statement of the HAWE Group for the period from 1 January 2010 to 31 December 2010, consisting of:

- introduction to the financial statement,
- consolidated balance sheet as at 31 December 2010, showing total assets and total liabilities and equity of 384 089 000 PLN,
- consolidated profit and loss account for the financial year from 1 January 2010 to 31 December 2010, showing a net profit of 37 232 000 PLN,
- consolidated table of equity changes for the financial year from 1 January 2010 to 31 December 2010, showing an increase in equity by 37 229 000 PLN,
- consolidated cash flow statement for the financial year from 1 January 2010 to 31 December 2010, showing an increase in cash by 3 827 000 PLN,
- supplementary information.

The Supervisory Board took note of the opinions of the independent auditor – PKF Audyt Sp. z o.o., Warsaw – selected to audit the Company's financial statement and the Group's consolidated financial statement, and of the reports supplementing the opinions from the audit of the Company's financial statement and Group's consolidated financial statement for the financial year from 1 January 2010 to 31 December 2010 as regards their conformance to the books and documents.

The evaluation of the Company's situation based on the financial statements and the Management Board's reports on the activity of the Company and the Group for 2010 is as follows:

- The core activity of the companies of the HAWE Group in 2010 was the provision of telecommunications and data transmission services and construction for telecommunications purposes, in particular the building, design and operation of fibre-optic networks.
- In 2010 the Group continued the actions which it had begun in 2007 relating to the creation of an entity providing services for the telecommunications sector, in particular the building and operation of fibre-optic networks.
- In 2010 the company HAWE Budownictwo was established, with the aim of making a division within the Group between telecommunications activity and design and construction activity, these having been previously conducted by the dependent company HAWE Telekom (formerly PBT Hawe). HAWE Budownictwo will take over matters involving design and construction. All telecommunications assets (including the all-Poland fibre-optic telecommunications network) will remain with HAWE Telekom, whose task will be to further implement the "operator for operators" strategy, namely the provision of telecommunications services for domestic and international operators.
- A priority task for the HAWE Group is the building of the HAWE All-Poland Fibre-Optic Network, with a total length of almost 4000 km, which will connect the largest conurbations and key administrative and business centres. Under stage II of the investment project, to the end of 2010 construction work has been completed on the sections forming the "Eastern Wall" (a total of 1650 km).
- Following the completion and handover of stage II of the network, HAWE Telekom Sp. z o.o. became the owner of one of Poland's largest fully equipped fibre-optic networks, with total length 2846 km, running from the vicinity of Warsaw (Sochaczew) via Kutno, Konin, Gniezno, Poznań, Gorzów Wlkp., Szczecin, Koszalin, Słupsk, Gdańsk, Elbląg, Olsztyn, Szczytno, Pisz, Ełk, Suwałki, Augustów, Białystok, Siemiatycze, Biała Podlaska, Lublin, Zamość, Biłgoraj, Leżajsk, Rzeszów, Dębica, Tarnów and Wieliczka to Kraków, together with branches leading to the national border at Słubice, Kołbaskowo, Braniewo, Ogrodniki, Kuźnica Białostocka and Hrebenne. New contracts are regularly being signed for the provision of services involving the leasing of dark optical fibres. The network has been equipped and fitted with teletransmission devices, which makes it possible also to provide transmission services.
- In 2010 the dependent company HAWE Telekom Sp. z o.o. began construction work on the Poznań–Wrocław section, which is being carried out under stage III of the building of the HAWE All-Poland Fibre-Optic Network.
- In 2010 a number of actions were taken to acquire new customers. The largest contracts were concluded with PTC Sp. z o.o. and UPC Polska Sp. z o.o.

- In 2010 the Company secured financing for stage III of the investment project. The conclusion of a loan agreement with Agencja Rozwoju Przemysłu S.A. in conjunction with bank credit from Bank DnB NORD Polska S.A. will make it possible for HAWE Telekom to make a comprehensive restructuring of the whole of its existing debt (most of it short-term) into long-term debt.

In summarizing the business results achieved by the Company and by the HAWE Group in 2010, it should be stated that this was a year in the Company's activity which ended with the achievement of the goals set by the Company.

EVALUATION OF THE SYSTEMS OF INTERNAL CONTROLS AND MANAGEMENT OF SIGNIFICANT RISK

The Management Board is responsible for the system of internal controls at the company and the effectiveness of its functioning in the process of preparing the financial statements. Material supervision over the process of preparing the Company's financial statements and periodic reports is exercised by the Finance Director/Chief Accountant in conjunction with the Financial Controller.

The Company keeps constant track of the changes required by laws and external regulations relating to stock-exchange reporting requirements, and prepares for their implementation in good time.

A system of internal controls has been developed and is applied to the accounting documentation. The system of internal controls also applies to the approval of the Company's cost documents, which are subject to two levels of verification and acceptance. The system used enables the Company to ensure supervision and constant monitoring of the state of its liabilities.

After the closure of the accounting books for a given month, management personnel and members of the Management Board receive reports analysing the key financial data of significance for the Company. The financial data on which the financial statements and periodic reports are based originate from the financial accounting system, in which documents are registered in accordance with the Company's accounting policy, which is based on the International Accounting Standards. Annual and semi-annual financial statements undergo independent audit and review by the Company's auditor, the firm PKF Audyt Sp. z o.o.

The Supervisory Board evaluates the system of internal controls and management of significant risk as sufficient.

PROPOSALS TO THE GENERAL MEETING OF SHAREHOLDERS

1. As a result of evaluation of the supplied documentation, namely the financial statement of HAWE S.A. for the financial year 2010 and the Management Board's Report on the Company's activity for the period from 1 January 2010 to 31 December 2010, having taken note of the auditor's opinion and report, the Supervisory Board considers the aforementioned statements to be in accordance with the books, the documents and the actual state of affairs, and proposes that the General Meeting of Shareholders approve them.
2. As a result of evaluation of the supplied documentation, namely the consolidated financial statement of the HAWE Group for the financial year 2010 and the Management Board's Report on the Group's activity for the period from 1 January 2010 to 31 December 2010, having taken note of the auditor's opinion and report, the Supervisory Board considers the aforementioned statements to be in accordance with the books, the documents and the actual state of affairs, and proposes that the General Meeting of Shareholders approve them.
3. The Supervisory Board has approved the Management Board's proposed manner of covering the net loss of 332 000 PLN for the financial year from 1 January 2010 to 31 December 2010, out of the Company's general reserves – from the part created from the profits made in previous years.
4. The Supervisory Board has positively evaluated the activity of the Company's Management Board and proposes that members of the Management Board be granted a discharge from the performance of their duties in 2010 – Mr Robert Kwiatkowski for the period from 1 January to 31 December 2010, Ms Małgorzata Głąbicka for the period from 1 January to 20 April 2010, Mr Andrzej Laskowski for the period from 1 January 2010 to 20 April 2010, and Mr Piotr Kubaszewski for the period from 20 April to 31 December 2010.

Waldemar Falenta

Chairman of the Supervisory Board of HAWE S.A.