CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST HALF OF 2012

OF THE HAWE CAPITAL GROUP

Warsaw, 31 August 2012

I. Condensed consolidated financial statements of the HAWE Capital Group for the first half of 2012, prepared in accordance with the International Financial Reporting Standards

CONSOLIDATED INCOME STATEMENT

	For 6 months ended 30 June 2012	For 6 months ended 30 June 2011
Sales revenue	**60 029**	**40 968**
Revenue from sales of products and services	59 442	40 231
Revenue from sales of goods and materials	587	736
Cost of products, goods and materials sold	**28 818**	**20 970**
Costs of manufacturing products and services sold	28 305	20 315
Value of goods and materials sold	514	655
Gross profit (loss) on sales	***31 211***	***19 998***
Other operating revenue	2 612	592
Selling expenses	1 029	745
General and administrative expenses	9 046	5 602
Other operating expenses	3 510	1 043
Profit (loss) on operating activities	***20 238***	***13 201***
Financial revenue	4 845	3 006
Financial expenses	6 631	2 667
Profit (loss) before tax	***18 451***	***13 540***
Income tax	4 489	2 844
Net profit (loss) on continuing operations	***13 963***	***10 696***
Profit (loss) on discontinued operations	***0***	***0***
Net profit (loss)	***13 963***	***10 696***
Net earnings (loss) per share (in PLN)		
Basic earnings per share for the financial period	**0.13**	**0.10**
Diluted earnings per share for the financial period	**0.13**	**0.10**
Net earnings (loss) per share on continuing operations (in PLN)		
Basic earnings per share for the financial period	0.13	0.10
Diluted earnings per share for the financial period	0.13	0.10
Net earnings (loss) per share on discontinued operations (in PLN)	**0.00**	**0.00**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For 6 months ended 30 June 2012	For 6 months ended 30 June 2011
Net profit (loss), including:	***13 963***	***10 696***
- attributable to non-controlling interest	***0***	***0***
- attributable to equity holders of the parent	***13 963***	***10 696***
Other income	0	0
Total comprehensive income, including:	***13 963***	***10 696***
- attributable to non-controlling interest	***0***	***0***
- attributable to equity holders of the parent	***13 963***	***10 696***

CONSOLIDATED BALANCE SHEET

	30.06.2012	31.12.2011
Non-current assets	**375 047**	**336 039**
Technical infrastructure	128 409	125 016
Other property, plant and equipment	14 154	14 002
Intangible assets	827	484
Goodwill after consolidation	28 643	28 643
Trade and other receivables	188 680	154 787
Deferred tax assets	14 334	13 106
Current assets	**173 816**	**164 820**
Technical infrastructure	86 110	83 901
Other inventories	4 630	4 675
Trade and other receivables	36 851	38 586
Current corporate income tax receivables	445	462
Other statutory receivables	1 854	184
Prepayments	12 507	9 417
Cash and cash equivalents	31 418	27 593
TOTAL ASSETS	**548 863**	**500 859**
Equity	**303 239**	**285 099**
Share capital attributable to equity holders of the parent	139 192	139 192
Share premium attributable to equity holders of the parent	15 672	15 660
Treasury shares	-19 170	-14 218
Other equity attributable to equity holders of the parent	153 583	92 854
Equity – non-controlling	0	0
Undistributed profit/uncovered loss from prior years - attributable to equity holders of the parent	0	0
Current year profit/loss - attributable to equity holders of the parent	13 963	51 612
Non-current liabilities	**181 621**	**158 068**
Interest-bearing credit facilities and loans	131 161	120 480
Debt securities	0	0
Other financial liabilities	6 693	1 679
Trade and other liabilities	305	305
Provisions	433	43
Deferred income tax liability	43 028	35 560
Current liabilities	**64 003**	**57 691**
Current portion of interest-bearing credit facilities and loans	34 264	29 422
Debt securities	0	0
Other financial liabilities	2 840	1 957
Trade and other liabilities	21 239	18 746
Current corporate income tax liabilities	0	0
Other statutory liabilities	3 423	3 960
Other provisions	740	2 749
Accruals	1 497	857
TOTAL EQUITY AND LIABILITIES	**548 863**	**500 859**

CONSOLIDATED CASH FLOW STATEMENT

	For 6 months ended 30 June 2012	For 6 months ended 30 June 2011
OPERATING ACTIVITIES		
Profit /Loss before tax	**18 451**	**13 540**
Total adjustments:	**-23 226**	**-26 711**
Amortization/depreciation	4 343	3 951
Exchange gains/losses	1 304	0
Interest and profit sharing (dividends)	1 378	-687
Profit (loss) on investing activities	16	1 464
Change in receivables	-31 814	-17 788
Change in inventories	-2 163	-9 086
Change in liabilities, except for credit facilities and loans	4 447	-477
Change in provisions	496	114
Income tax paid	0	-30
Change in prepayments and accruals	-3 598	-4 172
Costs of the Incentive Scheme for Key Executives	1 651	0
Other adjustments	717	0
A. Net cash flows from operating activities	**-4 774**	**-13 171**
INVESTING ACTIVITIES		
Sales of property, plant and equipment and intangible assets	71	13
Acquisition of property, plant and equipment and intangible assets	-6 344	-2 561
Sales of other financial assets	0	0
Acquisition of other financial assets	0	0
Interest received	0	0
Repayment of originated loans	0	0
Originated loans	0	0
Receipts from interest on finance leases	3 567	2 984
Receipts from the Program of Redemption of Treasury Shares	32 397	0
Payments for the Program of Redemption of Treasury Shares	-31 431	0
Other receipts from investing activities	0	343
Other payments for investing activities	0	0
B. Net cash flows from investing activities	**-1 741**	**779**
FINANCING ACTIVITIES		
Proceeds from issue of shares, other equity instruments and capital contributions	0	1 972
Payment of finance lease liabilities	-1 011	-907
Proceeds from contracted credit facilities and loans	16 980	110 000
Repayment of credit facilities and loans	-1 840	-1 617
Proceeds from issues of debt securities	0	0
Redemption of debt securities	0	-60 468
Interest received	0	0
Interest paid	-3 801	-5 033
Other proceeds from financing activities	12	0
Other payments for financing activities	0	0
C. Net cash flows from financing activities	**10 340**	**43 948**
D. Total net cash flows	**3 825**	**31 556**
E. Balance sheet change in cash, including:	**3 825**	**31 556**
- change in cash due to exchange differences	0	0
F. Cash opening balance	**27 593**	**8 829**
G. Cash closing balance	**31 418**	**40 385**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Treasury shares	Other capitals			Undistributed previous year profit/uncovered previous year loss	Profit/loss of the current period	Total equity
				Net profit from sale of treasury shares	Capital for employee benefits settled using equity instruments	Supplementary capital from previous year profits			
6 months ended 30.06.2012									
As at 1 January 2012	**139 192**	**15 660**	**-14 218**	**92 854**			**0**	**51 612**	**285 099**
Profit/loss for the financial year	0	0	0	0	0	0	0	13 963	13 963
Settlement of previous year profit/loss	0	0	0	0	0	51 612	0	-51 612	0
Issues of shares	0	0	0	0	0	0	0	0	0
Acquisition of treasury shares	0	0	-31 431	0	0	0	0	0	-31 431
Sale of treasury shares	0	0	26 480	7 466	0	0	0	0	33 946
Measurement of shares of the Incentive Scheme for Key Executives	0	0	0	0	1 651	0	0	0	1 651
Increase in the value of shares	0	0	0	0	0	0	0	0	0
Cost of issue of shares	0	12	0	0	0	0	0	0	12
As at 30 June 2012	**139 192**	**15 672**	**-19 170**	**153 583**			**0**	**13 963**	**303 239**

	Share capital	Share premium	Treasury shares	Other capitals			Undistributed previous year profit / uncovered previous year loss	Profit/loss of the current period	Total equity
				Net profit from sale of treasury shares	Capital for employee benefits settled using equity instruments	Supplementary capital from previous year profits			
6 months ended 30.06.2011									
As at 1 January 2011	**137 192**	**14 074**	**0**	**58 862**			**-1 620**	**37 232**	**245 739**
Profit/loss for the financial year	0	0	0	0	0	0	0	10 696	10 696
Settlement of previous year profit/loss	0	0	0	0	0	37 232	0	-37 232	0
Issues of shares	2 000	1 592	0	0	0	0	0	0	3 592
Acquisition of treasury shares	0	0	0	0	0	0	0	0	0
Sale of treasury shares	0	0	0	0	0	0	0	0	0
Measurement of shares of the Incentive Scheme for Key Executives	0	0	0	0	-1 620	0	0	0	-1 620
Increase in the value of shares	0	0	0	0	0	0	0	0	0
Cost of issue of shares	0	0	0	0	0	0	0	0	0
As at 30 June 2011	**139 192**	**15 665**	**0**	**94 474**			**-1 620**	**10 696**	**258 407**

II. Condensed financial statements of HAWE S.A. for the first half of 2012, prepared in accordance with the International Financial Reporting Standards

INCOME STATEMENT OF THE ISSUER

	6 months ended 30 June 2012	6 months ended 30 June 2011
Sales revenue	**4 024**	**2 549**
Revenue from sales of products and services	4 024	2 549
Revenue from sales of goods and materials	0	0
Cost of products, goods and materials sold	**1 073**	**1 367**
Costs of manufacturing products and services sold	1 073	1 367
Value of goods and materials sold	0	0
Gross profit (loss) on sales	***2 951***	***1 182***
Other operating revenue	6	29
Selling expenses	0	0
General and administrative expenses	4 720	2 783
Other operating expenses	13	19
Profit (loss) on operating activities	***-1 776***	***-1 590***
Financial revenue	0	0
Financial expenses	17	9
Profit (loss) before tax	***-1 793***	***-1 599***
Income tax	-211	-255
Net profit (loss) on continuing operations	***-1 581***	***-1 344***
Profit (loss) on discontinued operations	***0***	***0***
Net profit (loss)	***-1 581***	***-1 344***
Net earnings (loss) per share (in PLN)		
Basic earnings per share for the financial period	**-0.01**	**-0.01**
Diluted earnings per share for the financial period	**-0.01**	**-0.01**
Net earnings (loss) per share on continuing operations (in PLN)		
Basic earnings per share for the financial period	-0.01	-0.01
Diluted earnings per share for the financial period	-0.01	-0.01
Net earnings (loss) per share on discontinued operations (in PLN)	**0.00**	**0.00**

STATEMENT OF COMPREHENSIVE INCOME OF THE ISSUER

	6 months ended 30 June 2012	6 months ended 30 June 2011
Net profit (loss), including:	***-1 581***	***-1 344***
- attributable to non-controlling interest	***0***	***0***
- attributable to equity holders of the parent	***-1 581***	***-1 344***
Other income	0	0
Total comprehensive income, including:	***-1 581***	***-1 344***
- attributable to non-controlling interest	***0***	***0***
- attributable to equity holders of the parent	***-1 581***	***-1 344***

BALANCE SHEET OF THE ISSUER

	30.06.2012	31.12.2011
Non-current assets	**415 909**	**415 346**
Property, plant and equipment	929	960
Intangible assets	3	1
Interest in subsidiary	371 275	371 275
Other financial assets	40 362	40 095
Trade and other receivables	286	286
Deferred tax assets	3 053	2 729
Current assets	**5 157**	**6 593**
Inventories	0	0
Trade and other receivables	330	1 453
Current corporate income tax receivables	0	0
Other statutory receivables	0	25
Other financial assets	3 743	3 322
Prepayments	701	81
Cash and cash equivalents	383	1 713
TOTAL ASSETS	**421 065**	**421 939**
Equity	**416 979**	**418 039**
Share capital attributable to equity holders of the parent	107 237	107 237
Share premium attributable to equity holders of the parent	309 255	309 243
Other equity attributable to equity holders of the parent	2 068	4 489
Equity – non-controlling	0	0
Undistributed profit/uncovered loss from prior years - attributed to equity holders of the parent	0	0
Current year profit/loss - attributed to equity holders of the parent	-1 581	-2 930
Non-current liabilities	**3 336**	**3 325**
Interest-bearing credit facilities and loans	0	0
Debt securities	0	0
Other financial liabilities	184	286
Trade and other liabilities	588	588
Provisions	0	0
Deferred income tax liability	2 564	2 451
Current liabilities	**750**	**574**
Current portion of interest-bearing credit facilities and loans	0	0
Debt securities	0	0
Other financial liabilities	198	187
Trade and other liabilities	393	171
Current corporate income tax liabilities	0	0
Other statutory liabilities	156	178
Other provisions	0	0
Accruals	3	38
TOTAL EQUITY AND LIABILITIES	**421 065**	**421 939**

CASH FLOW STATEMENT OF THE ISSUER

	6 months ended 30 June 2012	6 months ended 30 June 2011
OPERATING ACTIVITIES		
Profit /Loss before tax	**-1 793**	**-1 599**
Total adjustments:	**687**	**2 919**
Amortization/depreciation	157	109
Exchange gains/losses	0	0
Interest and profit sharing (dividends)	17	-18
Profit (loss) on investing activities	0	10
Statistic interest rate on loans	-1 222	-2 435
Statistic interest rate on bonds issued	0	1 367
Change in receivables, including:	1 681	38 872
- interest received from loans	533	2 895
- repayment of originated loans	0	37 567
- originated loans	0	-5 010
- redemption of debt securities acquired related to operating activities	0	3 510
- acquisition of debt securities related to operating activities	0	0
- change in trade, statutory and other receivables	1 148	-89
Change in inventories	0	0
Change in liabilities, including:	199	-34 952
- interest paid on debt securities issued related to operating activities	0	-2 077
- issue of debt securities related to operating activities	0	0
- redemption of debt securities issued related to operating activities	0	-32 600
- change in trade, statutory and other liabilities	199	-275
Change in provisions	0	0
Income tax paid	0	0
Change in prepayments and accruals	-655	-33
Costs of the Incentive Scheme for Key Executives	509	0
Other adjustments	0	0
A. Net cash flows from operating activities	**-1 106**	**1 321**
INVESTING ACTIVITIES		
Sales of property, plant and equipment and intangible assets	0	1
Acquisition of property, plant and equipment and intangible assets	-128	-100
Sale of other financial assets	0	0
Acquisition of other financial assets	0	0
Interest received	0	0
Repayment of originated loans	0	0
Originated loans	0	0
Other receipts from investing activities	0	0
Other payments for investing activities	0	0
B. Net cash flows from investing activities	**-128**	**-100**
FINANCING ACTIVITIES		
Proceeds from issue of shares, other equity instruments and capital contributions	0	1 972
Payment of finance lease liabilities	-91	-173
Proceeds from contracted credit facilities and loans	0	0
Repayment of credit facilities and loans	0	0
Proceeds from issues of debt securities related to financing activities	0	0
Redemption of debt securities related to financing activity	0	-5 848
Interest received	0	0
Interest paid on debt securities issued related to financing activities	0	-289
Other proceeds from financing activities	12	0
Other payments for financing activities	-17	-9
C. Net cash flows from financing activities	**-95**	**-4 347**
D. Total net cash flows	**-1 330**	**-3 127**
E. Balance sheet change in cash, including:	**-1 330**	**-3 127**
- change in cash due to exchange differences	0	0
F. Cash opening balance	**1 713**	**8 413**
G. Cash closing balance	**383**	**5 287**

STATEMENT OF CHANGES IN EQUITY OF THE ISSUER

	Share capital	Share premium	Other capitals		Undistributed previous year profit/uncovered previous year loss	Profit/loss of the current period	Total equity
			Capital for employee benefits settled using capital instruments	Supplementary capital from previous year profits			
6 months ended 30.06.2012							
As at 1 January 2012	**107 237**	**309 243**	**4 489**		**0**	**-2 930**	**418 039**
Profit/loss for the financial year	0	0	0	0	0	-1 581	-1 581
Settlement of previous year profit/loss	0	0	0	-2 930	0	2 930	0
Issues of shares	0	0	0	0	0	0	0
Measurement of shares of the Incentive Scheme for Key Executives	0	0	509	0	0	0	509
Increase in the value of shares	0	0	0	0	0	0	0
Cost of issue of shares	0	12	0	0	0	0	12
As at 30 June 2012	**107 237**	**309 255**	**2 068**		**0**	**-1 581**	**416 979**

	Share capital	Share premium	Other capitals		Undistributed previous year profit/uncovered previous year loss	Profit/loss of the current period	Total equity
			Capital for employee benefits settled using capital instruments	Supplementary capital from previous year profits			
6 months ended 30.06.2011							
As at 1 January 2011	**105 237**	**307 657**	**8 062**		**-1 620**	**-332**	**419 003**
Profit/loss for the financial year	0	0	0	0	0	-1 344	-1 344
Settlement of previous year profit/loss	0	0	0	-332	0	332	0
Issues of shares	2 000	1 592	0	0	0	0	3 592
Measurement of shares of the Incentive Scheme for Key Executives	0	0	-1 620	0	0	0	-1 620
Increase in the value of shares	0	0	0	0	0	0	0
Cost of issue of shares	0	0	0	0	0	0	0
As at 30 June 2011	**107 237**	**309 248**	**6 109**		**-1 620**	**-1 344**	**419 631**

III. Notes

These financial statements were drawn up in accordance with Article 90.1. and taking into account the possibilities specified in Article 83.3 of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2009 No. 33, item 259).
Information concerning the condensed financial statements of HAWE S.A. for the first half of 2012 was not presented separately, as all significant information and disclosures concerning the parent, as required by IAS 34 have been presented in these Notes, which reliably present the situation of the Issuer.

1. GENERAL INFORMATION ABOUT THE ISSUER AND ITS CAPITAL GROUP

As at 30 June 2012 and on the date of publishing these financial statements, the HAWE Capital Group consisted of the following entities:

HAWE S.A.	parent ("Issuer", "Company", "Entity");
HAWE Telekom Sp. z o.o.	subsidiary consolidated using the full method;
HAWE Budownictwo Sp. z o.o.	subsidiary consolidated using the full method.

The share of HAWE S.A. in the total number of votes in its subsidiaries is equal to its stake in share capitals of these entities and amounts to 100% of shares in HAWE Telekom Sp. z o.o. and 100% shares in HAWE Budownictwo Sp. z o.o.

On 28 June 2011 General Shareholders Meeting of the Company authorized the Management Board to acquire treasury shares of the Company in the amount not to exceed 10% of the total number of the Company's shares, which corresponds to 10,723,706 shares with the par value of PLN 1,00 each. Shares may be acquired for the unit price from PLN 1 to PLN 15. The authorization is valid until 30 June 2014. The amount allocated to acquisition of treasury shares was PLN 50 million at maximum. Treasury shares acquired by the Company may be used for acquisitions of other entities in the market, for redemption or for other purposes determined by the Management Board of the Company upon a prior consent of the Supervisory Board.
At the same time, the Company decided to recognize reserve capital to be financed with 10% profit sharing, until the capital reaches PLN 50 million. Reserve capital will be used to acquire treasury shares, as discussed above.

On 21 September 2011 the Management Board of the Company authorized HAWE Telekom Sp. z o.o., subsidiary, to directly acquire treasury shares of HAWE S.A. under the first stage of the Program of Redemption of Treasury Shares of HAWE S.A. In the first stage, when funds for acquiring shares did not exceed PLN 15 million, in the period from 29 July 2011 to 18 January 2012, HAWE Telekom Sp. z o.o. acquired 5,192,894 shares, i.e. 4.84% of the share capital of HAWE S.A. which translated into 4.84% votes at the General Shareholders' Meeting.

On 18 January 2012 the Management Board of HAWE S.A. decided to commence the second stage of the Program of Redemption of Treasury Shares of HAWE S.A.,

which lasted from 19 January 2012 to 29 March 2012. The funds for redemption of treasury shares in the second stage did not exceed PLN 35 million. The Management Board of HAWE S.A. reauthorized HAWE Telekom Sp. z o.o., subsidiary, to acquire shares directly or through a brokerage house, which acquired treasury shares of HAWE S.A. in accordance with the agreement concluded with AWE Telekom Sp. z o.o. The brokerage house first acquired shares on own behalf and account and then all shares acquired were resold to HAWE Telekom Sp. z o.o.
On 18 January 2012 HAWE Telekom Sp. z o.o. concluded an agreement on intermediation in the acquisition of treasury shares of HAWE S.A. with Biuro Maklerskie Banku DnB NORD Polska S.A., which, acting on own behalf, acquired 3,589,632 shares constituting 3.35% of the share capital of HAWE S.A. authorizing to 3.35% of votes at the General Shareholders' Meeting. The brokerage house acquired the shares on own account with the intention to resell them to HAWE Telekom Sp. z o.o. On 29 February 2012 HAWE Telekom Sp. z o.o. concluded an investment account agreement with Biuro Maklerskie Banku DnB NORD Polska S.A. in order to perform its obligations under the agreement on intermediation in the acquisition of treasury shares of HAWE S.A. On 5 March 2012 the Supervisory Board of HAWE S.A. adopted a resolution to broaden the range of the Program of Redemption of Treasury Shares of HAWE S.A. upon a request of the Management Board of HAWE S.A. The Supervisory Board agreed on reselling treasury shares of HAWE S.A. to institutional investors, in line with the Management Board's strategy to put the shareholding structure in order on the basis of large, stable financial institutions with a long-term investment horizon. At maximum 10,723,706 shares, i.e. less than 10% of the share capital of the Company will be resold. The price of shares to be resold to investors will be determined by the Management Board. On the same day, the Extraordinary Shareholders' Meeting of HAWE Telekom Sp. z o.o. passed a resolution approving the extension of the program scope and authorizing the Management Board of HAWE Telekom to determine the price of shares to be resold to investors.

On 6 March 2012, HAWE Telekom Sp. z o.o. concluded an agreement on sale and purchase of treasury shares of HAWE S.A. with Biuro Maklerskie Banku DnB NORD Polska S.A. Under the agreement, HAWE Telekom Sp. z o.o. realized one of the goals of the Program of Redemption of Treasury Shares by acquiring on own account 3,589,632 shares with a par value of PLN 1.00 each, constituting 3.35% of the share capital of HAWE S.A. and 3.35% of votes at the Company's General Shareholders' Meeting. Average share price was PLN 3.90. As a result of the transaction HAWE Telekom held 8,782,526 shares in the Company, constituting 8.19% of the share capital and entitling to 8.19% of votes at the General Shareholders' Meeting.
On the same day, as a result of concluding two block transactions during one trading session, HAWE Telekom sold 7,000,000 shares of the Company with a par value of PLN 1.00 each, constituting 6.53% of the share capital of HAWE S.A. and entitling to 6.53% of votes at the Company's General Shareholders' Meeting. Average share price was PLN 4.65. The sale of shares was a part of the Program of Redemption of Treasury Shares, i.e. resale of treasury shares of HAWE S.A. to institutional investors. The shares were acquired by Generali Otwarty Fundusz Emerytalny seated in Warsaw.
As a result of the transactions HAWE Telekom held 1,782,526 shares, constituting 1.66% of the share capital and entitling to 1.66% of votes at the General Shareholders' Meeting.
On 8 and 9 March 2012 HAWE Telekom Sp. z o.o. acquired 1,900,000 shares on own account, performing one of the goals of the Program of Redemption of Treasury Shares. As a result of the transactions HAWE Telekom held 3,682,526 shares, constituting 3.43% of the share capital of HAWE S.A. and entitling to 3.43% of votes at the General Shareholders' Meeting.

On 23 March 2012 the Extraordinary Shareholders' Meeting adopted a resolution reauthorizing the Management Board of the Company to acquire treasury shares in accordance with the related Resolution dated 28 June 2011. The maximum block of shares, however, was increased to 20% of the total shares in the Company, i.e. up to

20% of the share capital and also the amount allocated to the acquisition of shares was changed to PLN 140 million (including the cost of the acquisition).
On 29 March 2012 the Supervisory Board of HAWE S.A. adopted a resolution to broaden the range of the Program of Redemption of Treasury Shares of HAWE S.A. upon a request of the Management Board of HAWE S.A. The Supervisory Board agreed for reselling treasury shares of HAWE S.A. to institutional investors, in line with the Management Board's strategy to put the shareholding structure in order on the basis of large, stable financial institutions with a long-term investment horizon. At maximum 21,447,412 shares, i.e. less than 20% of the share capital of the Company might be resold. The Supervisory Board reauthorized HAWE Telekom Sp. z o.o. to acquire treasury shares of the Company. At the same time, the General Shareholders' Meeting of HAWE Telekom Sp. z o.o. adopted a resolution to authorize the Management Board of HAWE Telekom to resell shares to institutional investors on terms and conditions specified by the Management Board of HAWE Telekom.
On 30 March 2012 the Management Board of HAWE S.A. decided to broaden the range the Program of Redemption of Treasury Shares of HAWE S.A., to close the second stage of the Program and start the third one. Therefore, it reauthorized HAWE Telekom to acquire shares of the Company.

On 30 March 2012 HAWE Telekom Sp. z o.o. acquired 345,800 shares on own account, in line with the Program of Redemption of Treasury Shares. As a result of the transaction HAWE Telekom held 4,028,326 shares, constituting 3.76% of the share capital of HAWE S.A. and entitling to 3.76% of votes at the General Shareholders' Meeting.

On 4 April 2012 the General Shareholders' Meeting adopted a resolution to launch an Incentive Scheme for Key Executives of the HAWE Capital Group, as a long-term motivating tool for top management. The key reason for the decision was dynamic growth of the HAWE Capital Group and the top quality of management. Under the Scheme, selected key employees and co-operators of the HAWE Capital Group, irrespective of their employment basis, will be entitled to acquire the Company's shares at dates and on terms specified in the Scheme. The maximum number of shares to be offered is 1,100,000, which will constitute the total of 1.03% of the share capital of the Company. In order to perform the Incentive Scheme, the General Shareholders' Meeting of the Company authorized the Supervisory Board to broaden the range of the Program of Redemption of Treasury Shares in such a manner that shares acquired by the Company through the agency of HAWE Telekom Sp. z o.o. will be offered on a one-off basis to the participants of the Incentive Scheme. Additionally, the Supervisory Board has been authorized to determine the details of the Incentive Scheme. The Incentive Scheme was to be performed from 5 April 2012 to 31 December 2012.

On 5 April 2012 HAWE Telekom Sp. z o.o. acquired 825,688 shares on own account, in line with the Program of Redemption of Treasury Shares. As a result of the transaction HAWE Telekom held 4,854,014 shares, constituting 4.53% of the share capital of HAWE S.A. and entitling to 4.53% of votes at the General Shareholders' Meeting.

On 12 April 2012, at the Management Board's request, the Supervisory Board of the Company broadened the range of the Program of Redemption of Treasury Shares of the Company, whereby the shares acquired by the Company via HAWE Telekom Sp. z o.o. would be offered to the key executives of the HAWE Capital Group on a one-time basis. The decision of the Supervisory Board was supported by the argument that the financial performance of the Company and the remaining entities in the HAWE Capital Group are strongly dependent upon the top executives of the Group and that retaining top quality experts is essential for further growth of the Company. Moreover, the Supervisory Board decided that the ability to acquire shares on preferential terms is highly motivating for this team and it will improve operational efficiency of the HAWE Capital Group. The Supervisory Board determined the lock-up period to last until 30 April 2013, when entities acquiring shares cannot sell the shares, except for to banks, investment funds, pension funds or any other entities approved by the Supervisory Board. The sales in the lock-up period can be carried out only based on an agreement in civil law (outside the regulated market) or by way of a block transaction. The shares will be offered at the price of PLN 3 each.

On 17 May 2012, HAWE Telekom realized one of the goals of the Program of Redemption of Treasury Shares by selling 1,100,000 shares with a par value of PLN 1.00 each, constituting 1.03% of the share capital of HAWE S.A. and 1.03% of votes at the Company's General Shareholders' Meeting, to the key executives of the HAWE Capital Group. After the aforesaid transaction, as at 30 June 2012 and as at the date of publishing these financial statements, HAWE Telekom Sp. z o.o. had a total of 3,754,014 shares in the Company, constituting 3.50% of the share capital of HAWE S.A. and 3.50% of votes at its Shareholders' Meeting.
In line with IFRS 2 the Company is obliged to measure the fair value of equity instruments granted, by reference to their fair value. The Management Board of HAWE S.A. valued the shares included in the Program as at the grant date, i.e. 17 May 2012. In accordance with the Program conditions, key executives of the HAWE Capital Group have been granted a call option with respect to shares of HAWE S.A., which may be exercised within one year from the grant date. The value of the Program was determined using the binomial tree method developed by Jarrow and Rudd. The Program value was estimated at PLN 1,656 thousand. The valuation was based on the following assumptions:

1. Share price at grant date: PLN 4.34
2. Option strike price: PLN 3.00
3. Fluctuation of share prices in 12 preceding months: 28.67%,
4. Risk-free interest rate: 4.5%,
5. Dividend rate: 0%,
6. Probability of a future share price increase: 0.5,
7. Probability of a future share price decrease: 0.5,
8. Option life: 1 year.

At the end of the reporting period, on 23 August 2012, the Company's Management Board convened the Company's Extraordinary General Shareholders' Meeting for 18 September 2012. The agenda includes passing a resolution on the Company's share capital increase by way of private placement with a waiver of the pre-emptive rights of the existing shareholders. The share capital will be increased from PLN 107,237,064.00 to at least PLN 157,237,064.00, but not more than PLN 207,237,064.00, i.e. by at least PLN 50,000,000.00, but not more than PLN 100,000,000.00 by issuing at least 50,000,000 and at the most 100,000,000 H-series bearer shares with a nominal value of PLN 1.00 each. The H-series shares will be fully covered with cash contributions. The issue price will be determined by the Company's Supervisory Board. Agreements for the take-up of H-series shares will be concluded on 19 September 2012 at the earliest and 17 March 2013 at the latest. As a result of the share capital increase the Company will obtain funds necessary to pursue its business plans in respect of participation in the consolidation on the telecommunications infrastructure market. Currently, the issue of a new series of shares is the best method for obtaining capital. As the share capital increases, the Company's equity will go up to ensure that the Company can meet its investment objectives, which will have a positive impact on the Company's balance sheet.

Between the end of the reporting period and the date of preparation of these financial statements, no other transactions involving shares were offered and no other shares were issued.

2. PRINCIPLES ADOPTED DURING THE PREPARATION OF THE FINANCIAL STATEMENTS

Basis for the preparation of the financial statements

These financial statements have been prepared in line with International Financial Reporting Standards, as endorsed by the European Union. The presentation method is compliant with IAS 34 "Interim financial reporting" and the same principles have been applied to the current, previous and comparable period. The same accounting principles (policies) and calculation methods have been applied to the preparation of these interim financial statements and the most recent annual financial statements.

The interim financial statements have been drawn up in line with the interim financial reporting principles specified in IAS 34 and include:

- consolidated financial statements (balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement);
- separate financial statements of the Issuer (balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement), included in these consolidated financial statements have been prepared in line with the option stipulated in Article 83.3 of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2009, No. 33, item 259);
- notes to the financial statements;
- Management Board's Report on the Activities of the Company and the Capital Group.

This document prepared for 6 months of the current financial period includes the financial statements for 6 months of the current and the prior financial year and the balance sheet prepared as at the end of the current and the previous semi-annual period.

The consolidated financial statements include the financial statements of all subsidiaries indirectly or directly controlled by HAWE S.A. Control takes place when the Parent is able to influence the financial and operating policy of a controlled entity in order to obtain economic benefits from that entity's operations. All Capital Group entities apply uniform accounting principles compliant with the International Financial Reporting Standards, as endorsed by the European Union.

The data presented in the financial statements of individual Capital Group entities and in the consolidated financial statements have been presented in PLN. The Polish zloty is the Capital Group's functional and presentation currency. All amounts disclosed in the financial statements have been presented in thousand zlotys, unless specified otherwise. Possible individual discrepancies between the figures included in the tables result from rounding them up to the nearest thousand.

Detailed information regarding related party transactions is presented in point 12 of these statements.

Standards and interpretations published and approved by the EU, but not yet effective

During approval of these financial statements the Group did not apply the following standards, amendments to standards and interpretations that had been published and approved for use in the EU, but which had not yet come into force:

- Amendments to IAS 1 "Presentation of financial statements" – presentation of items of other comprehensive income (applicable to annual periods beginning on or after 1 July 2012);
- Amendments to IAS 19 "Employee Benefits" – improvements to the accounting for post-employment benefits (applicable to annual periods beginning on or after 1 January 2013);

The Company decided not to exercise the possibility of earlier application of the above standards, amendments to standards and interpretations.

Standards and interpretations issued by IASB, but not yet approved by the EU

At present, IFRS in the form approved by the EU do not differ significantly from regulations adopted by the International Accounting Standards Board (IASB), except for the following standards as well as amendments to standards and interpretations which had not been yet adopted for use:

- IFRS 9 "Financial instruments" (applicable to annual periods beginning on or after 1 January 2015);
- IFRS 10 "Consolidated Financial Statements" (applicable to annual periods beginning on or after 1 January 2013);
- IFRS 11 "Joint Arrangements" (applicable to annual periods beginning on or after 1 January 2013);
- IFRS 12 "Disclosures of Interest in Other Entities" (applicable to annual periods beginning on or after 1 January 2013);
- IFRS 13 "Fair Value Measurement" (applicable to annual periods beginning on or after 1 January 2013);
- IAS 27 (revised in 2011) "Separate Financial Statements" (applicable to annual periods beginning on or after 1 January 2013);
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (applicable to annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 1 "First–time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (applicable to annual periods beginning on or after 1 July 2011);
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" (applicable to annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 7 "Financial Instruments: Disclosures" – offsetting financial assets and financial liabilities (applicable to annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – mandatory effective date and transition disclosures;
- Amendments to IAS 12 "Income Taxes" – deferred tax: recovery of underlying assets (applicable to annual periods beginning on or after 1 January 2012);
- Amendments to IAS 32 "Financial Instruments: Presentation" – offsetting financial assets and financial liabilities (applicable to annual periods beginning on or after 1 January 2014);
- Amendments to various standards "Amendments to IFRS (2012)" - resulting from the annual quality improvement of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) primarily with a view to removing inconsistencies and

clarifying wording (to be applied to annual periods starting on or after 1 January 2013).

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (applicable to annual periods beginning on or after 1 January 2013).

The entity anticipates that the adoption of these standards, amendments to the existing standards and interpretations would have no material impact on the financial statements of the entity in the period of initial application.

Foreign exchange rates

The functional currency of the economic environment of the Company is the Polish zloty.
The following exchange rates have been adapted to translate selected financial data into EUR:

- Translation of revenue, financial profit or loss and cash flows for the current period, as per the PLN/EUR rate of 4.2246;
- Translation of revenue, financial profit or loss and cash flows for the comparable period, as per the PLN/EUR rate of 3.9673;
- Translation of assets, equity and liabilities as at 30 June 2012 as per the PLN/EUR rate of 4.2613;
- Translation of assets, equity and liabilities as at 31 December 2011 as per the PLN/EUR rate of 4.4168;
-

Accounting principles

In 2007 the Group prepared the financial statements in line with IFRS for the first time. The Group introduced changes in the applied accounting principles related to the adoption of the International Financial Reporting Standards. The last financial statements prepared in accordance the Polish Accounting Standards were drawn up as at 31 December 2006, hence the date of IFRS adoption was 1 January 2007.

These consolidated financial statements have been prepared in accordance with the historical cost principle, except for financial instruments and land which are measured at fair value.

All transactions between entities consolidated using the full method and their balances have been eliminated for consolidation purposes.

As at the acquisition date, the acquiree's assets and liabilities are measured at fair value. The surplus of the acquisition price over the fair value of identifiable net assets of the entity is recognized as goodwill. If the acquisition price is lower than the fair value of identifiable net assets acquired from the entity, the difference is recognized in the income statement for the period when the acquisition took place. The share of minority shareholders is disclosed in appropriate proportions of the fair value of assets and equity. In the following years, losses attributable to minority stake holders above the value of their stake in the company reduce the equity of the parent.

The results of entities acquired or disposed of during the year are recognized in the consolidated financial statements from the date when the Capital Group assumes control over those subsidiaries and until the date when the control is lost.

Individual items of assets and liabilities are measured based on the actual costs incurred to acquire them, in line with the prudence principle.

Property, plant and equipment
Property, plant and equipment is recognized at cost, less depreciation charges and impairment loss. The initial amount of fixed assets includes their cost increased by all costs directly related to their purchase and adaptation for use. The cost includes also cost of replacement of parts of machines and equipment when incurred, if the recognition criteria are met. Costs incurred after the date of commissioning the item, such as maintenance and repair, are charged to profit or loss when incurred.
Upon acquisition, property, plant and equipment items are divided into components of material value to which separate useful life may be assigned. Costs of overhauls are also a component.
Depreciation is calculated according to the straight line method over the estimated useful life of an asset:

Type	**Period**
Buildings and structures	25 - 60 years
Technical infrastructure	22 years
Machines and technical equipment	4 - 15 years
Vehicles	3 - 14 years
Other	Determined individually for particular items

The useful life periods are applicable to new fixed assets. If a used fixed asset is commissioned for use, depreciation rates are determined individually appropriately to the expected useful life of a given fixed asset. Individual useful life is also applied to depreciation of specialist machinery and equipment.
The residual value, useful life and depreciation method of assets are verified on an annual basis and, if necessary, adjusted as of the beginning of the most recently ended financial year.
Depreciation begins when the given fixed asset is available for use. The Capital Group ceases to depreciate a given fixed asset when the asset is classified as held for sale (or classified as held for sale in accordance with IFRS 5 "Assets held for sale and discontinued operation") or when the asset is no longer recognized, whichever is earlier.
Property, plant and equipment may be derecognized from the balance sheet upon disposal or if no economic benefits are expected from further use of the asset. Any gains or losses (calculated as a difference between possible net inflows from sales and the carrying amount of the item) resulting from derecognition of the asset from the balance sheet are charged to profit or loss for the period of derecognition.
The Capital Group recognizes a part of own technical infrastructure, which it intends to use to provide telecommunication services, as fixed assets.
Non-current assets used under finance lease are recognized in the balance sheet in the same manner as other non-current assets and are depreciated using the same methods. If there is reasonable certainty that the lessee will obtain the title to the assets before the end of the lease term, the term of expected use of an asset is equal to its useful life.
Otherwise, the asset is amortized over the lease term or useful life, whichever is shorter.
The useful life is the expected useful life or the term specified in the lease agreement, whichever is shorter.

Investments in progress are fixed assets under construction or assembly and are recognized at cost less any impairment losses. Fixed assets under construction are not depreciated until their construction is completed and until they are commissioned.
The cost is increased by borrowing costs related to financing the acquisition or manufacturing of a fixed asset.

Intangible assets
Intangible assets include identifiable non-cash assets without a tangible form. In particular intangible assets include:

- Computer software acquired;
- Property rights acquired;
- Property rights, neighboring rights, licenses, concessions, rights to inventions, patents, trademarks and design patterns.

At initial recognition intangible assets are measured at cost.
At the end of a reporting period intangible assets are measured at cost less any accumulated amortization and accumulated impairment losses.
Amortization begins when the given intangible asset is available for use. The Capital Group ceases to amortize the given intangible asset on the day when the asset is classified as held for sale (or classified as held for sale in accordance with IFRS 5 "Assets held for sale and discontinued operation") or when the asset is no longer recognized in the balance sheet, whichever is earlier.
The Group assumes the residual value of intangible assets of zero.
Intangible assets are amortized using the straight-line method over their anticipated useful lives, which are as follows:

Type	Period
• Computer software	3 years
• Computer software licenses	3 years
• Property rights acquired	determined individually for particular items.

The amortization method and rate applied to intangible assets are verified as at the end of each reporting period. All changes resulting from the verification are recognized as a change in estimates.
Intangible assets are tested for impairment in accordance with IAS 36 "Impairment of assets". Impairment losses for intangible assets, excluding intangible assets not commissioned for use are recognized in operating expenses.
An intangible asset is derecognized from the balance sheet upon disposal or if no further economic benefits derived from its use or disposal are expected. Gain or loss from derecognition of an intangible asset is determined as the difference between the fair value of proceeds from the sale (if any) and the carrying amount of such item and is recognized in through profit or loss.
Intangible assets acquired in a separate transaction or manufactured (if they meet the recognition criteria for the cost of research and development) are initially recognized at cost. The cost of intangible assets acquired in a business combination is equal to their fair value as at the date of the combination.
Following the initial recognition, intangible assets are recognized at cost less amortization and impairment loss. Expenditures on internally generated intangible assets, except for capitalized R&D expenditures, are not capitalized but recognized in expenses of the period in which they were incurred.

Goodwill

Goodwill arising in a business combination is measured as the excess of (a) over (b) below:

a) The aggregate of:

- the consideration transferred measured in accordance with IFRS 3.32, which generally requires acquisition-date fair value;
- the amount of any non-controlling interest in the acquiree recognized in accordance with IFRS 3.32; and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree;

b) the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed measured in accordance with IFRS 3.32.

Following the initial recognition goodwill is recognized at cost less any accumulated

impairment losses. Goodwill is tested for impairment once a year, or more often, if there is any indication that it may be impaired. Goodwill is not amortized.
As at the date of business combination, the goodwill is allocated to each cash-generating unit which may benefit from the synergy. Each unit or set of units which have been allocated goodwill:

- corresponds to the lowest level in the Group at which the goodwill is monitored for internal management purposes, and
- is not larger than an operating segment based on either the entity's primary or the entity's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

An impairment loss is determined based on estimation of a recoverable amount of a cash-generating unit which has been allocated the goodwill. If the recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss in recognized. If the goodwill constitutes part of the cash-generating unit and a part of the unit is sold, the goodwill related to the sold part is included in its carrying amount at the time of determining gains or losses on the sale of such part. The sold goodwill is then determined based on the relative value of sold activities and the value of retained part of the cash-generating unit.

Leases

Group as a lessee
Finance leases transferring basically the entire risks and benefits of holding the lease object to the Capital Group are recognized in the balance sheet as at the lease commencement date at the lower of the following two amounts: fair value of a leased asset or current value of minimum lease payments. Lease payments are split between financial expenses and decrease in the balance of lease liabilities in order to obtain a fixed interest rate on the outstanding liability. Financial expenses are charged directly to profit or loss.
If there is reasonable certainty that the lessee will obtain the title to the assets before the end of the lease term, the term of expected use of an asset is equal to its useful life. Otherwise, the asset is amortized over the lease term or useful life, whichever is shorter.
Leases whereby the lessor retains substantially all the risk and rewards of ownership of an asset are classified as operating leases. Payments arising from operating leases are recognized as expenses in the income statement in accordance to the straight line method over the lease term.

Group as a lessor
Leases whereby the Group retains substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct expenses incurred in the course of negotiating operating leases are added to the carrying amount of the object of the lease and are recognized over the lease term on the same basis as rental income. Contingent lease rental is charged to revenue in the period when the rental becomes due.
Leases whereby the Group transfers substantially all the risks and rewards of ownership of an asset are classified as finance leases.
The Group recognizes gains or losses due to finance lease of telecommunication infrastructure, based on which it started to provide services in a given period in line with the principles applied in case of ordinary sales. Costs incurred by the Group with relation to manufacturing infrastructure subject to finance lease and costs of negotiations and actions taken in order to conclude the lease agreement are recognized as costs in time of receiving proceeds from the sale.
The Capital Group recognizes assets given under finance lease in the balance sheet and presents them as receivables in the amount equal to the net investment, calculated based on market prices determined in appropriate agreements concluded before. It is the fair value of the object of the lease.
The Capital Group recognizes two types of revenue due to finance leases in the financial

statements:
- One-off revenue due to the sale – equal to the net investment in the lease (calculated as presented above) and
- Monthly revenue generated during the whole life of the agreement – financial revenue (interest revenue) in the amount of the outstanding rentals determined in the finance lease agreement concerning telecommunication infrastructure and constituting financial revenue (interest) related to financing the object of the lease.

Impairment of non-financial non-current assets

As at the end of each reporting period the Group assesses whether there is any indication that non-financial non-current assets may be impaired. If there is any indication that they may be impaired or if an annual impairment test is necessary, the Group estimates the recoverable amount of a given asset or a cash-generating unit which the asset belongs to. The recoverable amount of an asset or a cash-generating unit corresponds to the fair value less costs to sell of the asset or cash-generating unit, or its value in use, whichever is higher. The recoverable amount is determined for individual assets, unless a given asset does not generate cash inflows which are largely independent of those generated by other assets or group of assets. If the carrying amount of an asset is higher that its recoverable amount, the asset has been impaired and is written down to a relevant recoverable amount. At the time of estimation of the value in use, projected cash flows are discounted to their present value using the discount rate before the effects of tax, reflecting the current market valuation of the time value of money and the risk characteristic of a given asset. Impairment losses of assets used in the continuing operations are charged to expenses which correspond to the function of the asset which has been impaired.

As at the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognized for a given asset in the prior periods is redundant or whether it should be lowered. If there is such indication, the Group estimates the recoverable amount of the asset. Prior impairment loss is reversed only when the estimations used to determine the recoverable amount of the asset have changed since the last impairment loss. If so, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount of the asset which would have been determined (including amortization), had the Company not recognized an impairment loss on the asset. The reversal of an impairment loss of the asset is immediately recognized as revenue in the income statement. Upon reversal of an impairment loss, in subsequent periods the amortization charges on a given asset are adjusted so that during the remaining part of the useful life of the asset its verified carrying amount reduced by the recoverable amount can be systematically written down.

Borrowing costs

Borrowing costs that may be assigned directly to purchase, construction or manufacturing of a qualifying asset should be capitalized in line with IAS 23 "Borrowing costs" as a portion of acquisition price or manufacturing costs of fixed assets or finished products. Borrowing costs include interest and exchange gains or losses up to the amount corresponding to the adjustment of interest expenses.

Borrowings contracted directly by subsidiaries and borrowings contracted by HAWE S.A. are capitalized if the funds are transferred to subsidiaries, where they are used to finance the costs of purchase, construction or manufacturing of a qualifying asset.

Financial assets

Financial assets are divided into the following classes:
- Financial assets held to maturity;
- Financial assets measured at fair value through profit or loss;
- Loans and receivables;
- Financial assets available for sale.

Financial assets held to maturity
Financial assets held to maturity are financial assets which are not derivatives, with determined or determinable payments and defined maturity, which the Group intends to and is able to hold to maturity, other than:

- measured at fair value through profit or loss on initial recognition;
- available for sale;
- qualifying as loans and receivables.

Financial assets held to maturity are measured at depreciated cost using the effective interest method. Financial assets held to maturity are classified as long-term assets, if their maturity exceeds 12 months of the end of the reporting period.

Financial assets measured at fair value through profit or loss
A financial asset measured at fair value through profit or loss has to meet one of the following criteria:

a) Be classified as held for trading. A financial asset is held for trading, if:
   - it has been acquired for the purpose of selling in the short term;
   - it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
   - it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

b) Has been classified to the category on initial recognition in line with IAS 39.

Financial assets measured at fair value through profit or loss are measured at fair value including their market value as at the end of the reporting period without transaction costs. Changes in the value of these instruments are included in profit or loss as financial revenue or expense. For contracts with one or more embedded derivatives, the entire contract may be classified as financial asset measured at fair value through profit or loss. This does not apply to cases when an embedded derivative does not materially impact cash flows from the contract or separation of derivatives is clearly banned. On initial recognition, financial assets may be classified as measured at fair value through profit or loss, if the following criteria are met: (i) such classification eliminates or significantly reduces inconsistency of treatment when both measurement and principles of recognizing gains or losses are subject to separate regulations; (ii) or when these assets belong to a group of financial assets managed and evaluated in accordance with their fair value in line with documented risk management strategy; (iii) or when financial assets include embedded derivatives that should be recognized separately. As at the end of the reporting periods presented in these financial statements, no financial assets were classified as measured at fair value through profit or loss.

Loans and receivables
Loans and receivables are financial assets not classified as derivatives, with determined or determinable payments, not listed in an active market. They are classified as current assets, if their maturity does not exceed 12 months of the end of the reporting period. Originated loans and receivables with maturity above 12 months of the end of the reporting period are classified as non-current assets. Loans are recognized under the balance sheet item "interest-bearing credit facilities and loans". After initial recognition, loans and receivables are measured at amortized cost.
Cash and cash equivalents are classified as loans and receivables. Cash and cash equivalents constitute a separate balance sheet item.

Available-for-sale financial assets
Financial assets available for sale are those not classified as derivatives, designed as available for sale, or not classified as any of the three former classes. Financial assets

available for sale are recognized at fair value with no transaction costs deducted, including their market value as at the end of the reporting period.
If there are no listings available in an active market and there is no possibility to reliably determine their fair value by alternative methods, financial assets available for sale are measured at cost less impairment loss. Positive and negative differences between the fair value of assets available for sale (if there is a market price determined in an active market or if the fair value may be determined in a different reliable manner) and the cost, less deferred tax, are charged to revaluation reserve. Depletion of assets available for sale resulting from impairment is charged to financial expenses.
Acquisition and disposal of financial assets are recognized as at the transaction date. On initial recognition, a financial asset is measured at fair value, for assets not classified as measured at fair value through profit or loss, increased by transactions costs directly attributable to the acquisition.
A financial asset is derecognized when the Group loses control over the contractual rights contained in the instrument; usually, this happens when an instrument is sold or when all cash flows attributable to the instrument are transferred to an independent third party.

Impairment of financial assets
As at the end of each reporting period, the Group assesses whether there is any objective indication that financial assets or a group of financial assets may be impaired.

Assets measured at amortized cost
If there is any objective indication that a loss has been incurred due to impairment of loans and receivables measured at amortized cost, the impairment loss is equal to the difference between the carrying amount of financial assets and the present value of estimated future cash flows (excluding future losses due to bad debts which have not yet been incurred), discounted using the initial (i.e. determined on initial recognition) effective interest rate. The carrying amount of an asset is lowered directly or through a provision. The loss is charged to profit or loss.
The Group first assesses whether there is any objective indication of impairment of individual financial assets which individually are material as well as those which individually are not material.
If the analysis shows that there is no objective indication that an individually evaluated financial asset may be impaired, irrespective of whether it is material or not, the Group includes the asset in the group of financial assets with a similar credit risk and jointly determines their impairment. Assets which are individually tested for impairment and for which an impairment loss has been recognized or it has been determined that the previous one will not change, are not included in the general test of assets for impairment.
If the impairment loss decreased in the subsequent period and the decrease can be objectively related to an event taking place after the loss, the prior loss is reversed. Subsequent reversal of an impairment loss is charged to profit or loss to the extent in which as at the date of reversal, the carrying amount of the asset does not exceed its amortized cost.

Financial assets carried at cost
If there is objective indication of impairment of an unquoted equity instrument which is not recognized at fair value as its fair value cannot be reliably determined, or of a derivative which is related and has to be settled by delivery of such unquoted equity instrument, the impairment loss is determined as a difference between the carrying amount of a financial asset and present value of estimated future cash flows discounted using the current market yield for similar assets.

Available-for-sale financial assets
If there is any objective indication that a financial asset available for sale may be impaired, the difference between the cost of the asset (less any repayment of principal and amortization) and the present fair value, less any impairment losses previously

charged to profit or loss, is derecognized from the equity and reclassified to profit or loss. Reversed impairment loss on equity instruments classified as available for sale cannot be charged to profit or loss. If, in the subsequent period the fair value of a debt instrument available for sale increases and the increase can be objectively linked to an event after the impairment loss was charged to profit or loss, the amount of the reversed impairment loss is charged to profit or loss.

Embedded derivative instruments
Embedded derivatives are separated from the host contract and treated as derivatives if all conditions specified below have been met:
- the characteristics and risk of the embedded derivative are not closely related to the characteristics and risk of the host contract; and
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid (combined) instrument is not measured at fair value, with changes in fair value recognized in profit or loss.

Embedded derivatives are disclosed in a similar manner as separate derivatives, which are not classified as hedging instruments.
According to IAS 39 situations when the characteristics and the risk of the foreign currency embedded derivate are closely related to the characteristics and the risk of the host contract (master contract) also apply to cases when the currency of the host contract is the typical currency for the contracts of purchase or sale of non-financial items in the market in which such contracts are concluded.
The Group decides whether the given embedded derivative should be separated or not at initial recognition.

Derivative financial instruments and hedges
Derivatives used for hedging for risks related to fluctuations in interest rates and exchange rates are mainly forwards and interest rate swaps. Such derivative financial instruments are measured at fair value. Derivatives are disclosed as assets if their value is positive or as liabilities if their value if negative.
Gains and losses on the changes in the fair value of derivatives which do not qualify for hedge accounting are charged to net profit or loss for the financial year.
The fair value of forwards is determined by reference to the current forward rates applied to contracts with similar maturity. The fair value of interest rate swaps is determined by reference to the market value of similar instruments.
In hedge accounting the following classification is applied:
- Fair value hedge, hedging the exposure to changes in the fair value of an item of assets or liabilities; or
- Cash flow hedge, hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or
- Net investment hedge in a foreign operation.

Currency risk hedges of a firm commitment is settled as a cash flow hedge.
At the inception of the hedge there is formal documentation of the hedging relationship and the risk management objective and strategy for undertaking the hedge. That documentation should include identification of the hedging instrument, hedged item or transaction, nature of the risk hedged and an assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in the fair value of the hedged item or cash flows attributable to the risk hedged. The hedge is expected to be highly effective in offsetting changes in the fair value or cash flows. The hedge's effectiveness is assessed on an on-going basis to determine if the hedge has been highly effective in all reporting periods for which it had been established.

Fair value hedge
Fair value hedges are hedges of the exposure to changes in the fair value of a recognized

asset or liability, or an unrecognized firm commitment, or their identified portion that is attributable to a particular risk and could affect the net profit or loss disclosed by the Capital Group.
In case of fair value hedges, the carrying amount of the hedged item is adjusted by gains or losses due to changes in the fair value related to the hedged risk. The hedging instrument is remeasured to fair value and the gains and losses related to the hedging instrument and the hedged item are charged to profit or loss.
In case of fair value hedges of items measured at amortized cost, the adjustment to the carrying amount is charged to profit or loss during the period until the maturity of the instrument.
When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss. Changes in the fair value of the hedging instrument are recognized in profit or loss.
The Capital Group no longer applies hedge accounting if the hedging instrument expires, is sold, terminated or exercised or it no longer meets the criteria of hedge accounting or if the hedging relationship expires. Any adjustment of the carrying amount of the hedging instrument to which the effective interest rate method is applied is amortized and appropriate impairment is recognized in the income statement. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedges
Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. A portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity and the ineffective portion is recognized in profit or loss.
If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.
If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the Company reclassifies the associated gains and losses that were recognized directly in equity into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.
Gains and losses on the changes in the fair value of derivatives, which do not qualify for hedge accounting are charged directly to profit or loss for the financial year.
The Capital Group no longer applies hedge accounting if the hedging instrument expires, is sold, terminated or exercised or it no longer meets the criteria of hedge accounting allowing for the application of special hedge accounting principles. In such a case, the total gain on loss on a hedging instrument, which was initially recognized in equity, is still recognized in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the total net gain or loss recognized in equity is charged to net profit or loss for the current period.

Inventories
Inventories are measured at the lower of: cost and the net realizable value.
The costs incurred in bringing the inventories to their present location and condition – both with respect to the current and prior year – are recognized in the following items:
- Materials
- Work in progress
- Finished goods

- Goods

The Capital Group recognizes a part of own technical infrastructure which is not intended to be used by the Group to provide telecommunication services as inventories, because such assets should not be classified as fixed assets upon completion. Such infrastructure is constructed with the intention to be sold or leased out. The infrastructure does not include any fiber optics or other devices which make it necessary to provide services.
Revenue from inventory is measured using the following principles:

- Materials and goods - at cost;
- Finished goods and work in progress - at the actual manufacturing cost.

Inventory release and balance are measured using the following principles:

- Materials and goods – based on detailed identification of prices for a given asset;
- Finished goods, semi-finished goods and work in progress - at the actual manufacturing cost.

At the end of the reporting period inventories are measured in line with the principles specified above, but not to exceed the net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
Valuation allowances of non-current tangible asset resulting from impairment or remeasurement to net realizable value reduce the value of balance sheet items and are charged to other operating expenses or costs of manufacturing products and services sold.

Trade and other receivables
Trade receivables are recognized at the amounts initially disclosed in the invoices, considering the allowance for doubtful debts. The allowance is estimated when the recovery of the full amount receivable becomes improbable.
If the impact of time value of money is material, the amount receivable is determined through discounting of projected future cash flows to their current value with the gross discount rate reflecting current time value of money in the market.
If the discounting method has been applied, the increase in the amount receivable due to passage of time is recognized as financial revenue.
Other receivables include in particular advance payments related to future purchases of property, plant and equipment, intangible assets and inventories.
Advance payments are presented in line with the assets they refer to, as current or non-current assets, respectively. As non-cash assets, advance payments are not discounted.
Receivables include:

- trade receivables – occurring as a result of the core operating activities of the Capital Group;
- other receivables, including advance payments for deliveries and fixed assets, fixed assets under construction, intangible assets, receivables from employees and receivables from the state budget;

And those disclosed in separate items:

- originated loans;
- other financial receivables – meeting the financial asset criteria;
- prepayments.

Cash and cash equivalents
Cash and cash equivalents recognized in the balance sheet and in the cash flow statement include cash at bank and in hand and short-term deposits with initial maturity up to three months.

Interest-bearing bank loans, credits and debt securities
On initial recognition, all bank loans, credits and debt securities are recognized at the fair value less costs related to obtaining the loan.
Following the initial recognition interest-bearing loans, credits and debt securities are measured at amortized cost using the effective interest method.

When determining the amortized cost, loan or credit obtaining costs as well as discounts or premiums awarded in relation to the liability are included.
Revenue and expenses are charged to profit or loss at the time of derecognition of the liability from the balance sheet as well as following settlement using the effective interest method.

Trade and other liabilities
Liabilities are existing obligations resulting from past events whose fulfillment will result in an outflow of economic benefits from the entity.
Liabilities include:

- trade and other liabilities;
- liabilities under public law, CIT liabilities;
- loans, credits, leases and other external funding sources.

Liabilities that meet the definition of financial instruments included in IAS 39 are classified as:

- Financial liabilities measured at fair value through profit or loss. This class includes financial liabilities held for trading and those designated as fair value through profit or loss upon initial recognition;
- other financial liabilities measured at amortized cost, i.e. liabilities arising from loans, credits, debt securities, financial leases, trade and other financial liabilities.

Other non-financial liabilities are recognized at the amount payable.

Accruals include amounts payable for goods or services received but not paid, billed or formally agreed with the supplier. Accruals are presented as a separate item in the balance sheet.

Provisions
Provisions are recognized, if the Group has a present obligation (legal or constructive) as a result of a past event and when it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Company expects reimbursement of the expenditure required to settle the provision (for example, through insurance contracts), the reimbursement is recognized as a separate asset, but only when it is virtually certain that reimbursement will be received. The expenses relating to the provision are presented in profit or loss net of the amount recognized for reimbursement.
Where the effect of the time value of money is material, the amount of a provision is the present value of the projected future cash flows, using the discount rate that reflects current market assessments of the time value of money and those risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense.

Retirement benefits
The Group's remuneration system includes the employee's right to once-off retirement benefit payable upon retirement, whose amount is based on years in service and the average salary. The Group recognizes a provision for future liabilities due to retirement benefits to attribute expenses to the periods they refer to. IAS 19 classifies retirement benefits as post-employment defined benefit plans. At the end of each reporting period, the current value of these liabilities is calculated by an independent actuary. The accrued liabilities equal to discounted future payments, including employee rotation and pertain to the time remaining until the end of the reporting period. Demographic and employee rotation data are based on historical information. Gains and losses on actuarial calculations are recognized in profit or loss.

Share-based payments
Share-based payments are measured at fair value of vested financial instruments (shares, warrants). The fair value of the instruments is based on the stock exchange price of the Company's shares including vesting conditions.

Revenue
Revenue is recognized in the amount equal to the value of probable economic benefits to be gained by the Group in relation to the transaction and when the amount of the revenue can be reliably measured. Revenue is recognized following reduction by VAT and rebates. Revenue recognition criteria:

Sales of goods and products
Revenue is recognized, if the material risks and rewards from the ownership of goods and products have been transferred to the buyer and when the revenue amount can be reliably measured.
Revenue from sales of products includes amounts generated on the sale of telecom infrastructure, fiber optics and other network elements recognized by the Group under property, plant and equipment or inventory.
Further, the revenue includes amounts generated on the finance lease of elements of produced telecom infrastructure in the portion regarding repayment of the leased asset's value. It includes also the lease of fiber optics and other network elements recognized by the Group under property, plant and equipment or inventory.

Settlement of long-term construction and design contracts
Construction and design services constitute a core business of the Group and are provided based on contracts. Construction and design contracts whose duration exceeds one month and the total value is material for reliability of the financial statements (revenue, expenses, profit/loss) are settled by the Group in accordance with the stage of completion method.
The total revenue from contracts includes the original contractual revenue adjusted by any subsequent contract amendments (annexes) and any additional arrangements closely related to the project.
Changes in contractual revenue are included if it is certain (based on a concluded agreement or annexes thereto) or at least highly probable (initialed annexes or draft agreements) that a client shall accept the changes and the amounts of revenue arising from these changes and the revenue itself can be reliably measured.
The total contractual expenses include direct costs, justified indirect costs and any other expenses which can be assigned to an engagement and charged to the client in accordance with contract provisions.
Total expenses and revenue are adjusted always if material changes in financial contract terms occur that impact estimated revenue, expenses or the contractual margin, at least at each reporting date.
Amendments resulting from the verification affect the profit/loss of the reporting period when the verification took place.
At the end of the reporting period, revenue is determined with the stage of completion method less revenue that affected profit/loss in preceding reporting periods. Estimated revenue from a contract pertaining to the given reporting period is recognized in the revenue for the period as arising from sales of products, while in the balance sheet it is recognized under assets as prepayments on long-term contracts.
Advances (prepayments) regarding contracts billed in line with VAT regulations, exceeding the level of estimated revenue pertaining to the given reporting period, are recognized under liabilities as advances for deliveries. Advances fitting in the estimated contractual revenue amount reduce prepayments on settlement of long-term contracts.
Invoiced but not completed contracts are recognized under revenue in the balance sheet only in the amount corresponding to the stage of completion. The surplus revenue is recognized under prepayments.

Other operating revenue and profit
They are related to business operations and include in particular:

- revenue and gains on investments;
- exchange gains;
- reversed impairment losses on financial assets;
- gain on disposal of property, plant and equipment and intangible assets;
- rental income from investment property;
- costs reimbursed by the insurer;
- state subsidies and other donations received;
- overdue and cancelled liabilities written off;
- derecognized unused provisions;
- fines and charges received;
- disclosed unsettled surplus of current assets and cash;
- other operating revenue;
- profit on bank deposits.

Financial revenue
They include mostly revenue related to the funding of the Company's operations and financial leases regarding infrastructure.
Financial revenue includes in particular:

- finance lease revenue (interest) regarding telecom infrastructure;
- interest income on loans and bonds;
- gains on realization and fair value measurement of derivatives hedging liabilities that fund operations of the Group (loans, bonds, finance leases etc.).

Dividends
Dividends are recognized as at the record date.

Government grants
Government grants are recognized at fair value, if it is reasonably assured that the grant will be obtained and all related requirements will be met.
If the grant is related to a cost item, it is recognized as revenue proportionally to the costs to be offset. If a subsidy is related to an asset, its fair value is recognized as deferred income and then gradually transferred to the income statement in the form of equal annual installments over the estimated useful life of the related asset.

Expenses
To expenses the Group classifies reduction in economic benefits likely to occur in the reporting period, of a reliably estimated value, in the form of a decrease in the value of assets or an increase in the value of liabilities, resulting in a decrease in equity or an increase in the shortage of equity, other than withdrawals made by the shareholders. Costs are recognized in profit or loss based on direct relationship between expenses incurred and specific revenue generated, i.e. according to the accounting matching concept, through settlement of prepayments and accruals.
Cost accounting follows the CGU principle and includes:

- cost of goods, products and materials sold;
- selling expenses;
- general and administrative expenses.

Other operating expenses and losses
Other operating expenses and losses related to business operations affect the profit/loss for the period and include in particular:

- interest on overdue trade and current financial liabilities;
- provisions recognized for disputes, fines, damages and other expenses indirectly related to operations;
- other operating expenses.

Financial expenses
They include mostly expenses related to the funding of the Group's activities, in particular:

- interest on bonds, loans and credits;
- financial charges arising from finance leases;
- losses on realization and fair value measurement of derivatives hedging liabilities that fund operations of the Group (loans, bonds, finance leases etc.).

Taxes

Current tax
Current tax liabilities and receivables for the current and prior periods are measured at projected amounts payable to tax authorities (reimbursable) using tax rates and regulations valid in law or in fact as at the end of the reporting period.

Deferred tax
For the purposes of financial reporting, deferred tax is calculated using the balance sheet liability method based on temporary differences that occur as at the end of the reporting period between the tax value of assets and liabilities and their carrying amount recognized in the financial statements.
The deferred tax liability is recognized in relation to all taxable temporary differences:

- except for the situation when the deferred tax liability is the effect of initial recognition of the goodwill or initial recognition of an asset or liability pertaining to a transaction other than business combination, which at the time of conclusion has no impact on the accounting profit or taxable income or tax loss; and
- in the case of taxable temporary differences resulting for investments in subsidiaries or associates and interests in joint ventures – except for situations when the dates of reversal of temporary differences are controlled by the investor and when it is likely that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized with respect to all deductible temporary differences as well as carried forward unused tax credits and losses at the amount of probable taxable income which will facilitate the use of the differences, assets and losses:

- except for the situation when the deferred tax assets related to deductible temporary differences are the effect of initial recognition of an asset or liability pertaining to a transaction other than business combination, which at the time of conclusion has no impact on the accounting profit or taxable income or tax loss; and
- in the case of deductible temporary differences arising from investments in subsidiaries or associates and interests in joint venture, a deferred tax asset is recognized in the balance sheet in the amount of probable reversed temporary differences in the foreseeable future and the taxable income which will facilitate deduction of deductible temporary differences.

The carrying amount of the deferred tax asset is verified as at the end of each reporting period and is reduced as appropriate, provided that it is no longer probable that the taxable income will be sufficient for the realization of the deferred tax asset in part or in whole. An undisclosed deferred tax asset is remeasured as at the end of each financial year and recognized up to the amount reflecting probable taxable income which will facilitate recovery of the asset.
Deferred tax assets and liabilities are measured using the tax rates projected for the period when the tax asset will be realized or the liability released, assuming tax rates (and tax regulations) valid as at the end of the financial year or those certain to be valid as at the end of the financial year.
Income tax on items recognized directly in equity is also recognized in equity as opposite to profit or loss.
The Group offsets deferred tax assets and deferred tax liabilities only if it has the valid legal title to settle on a net basis and they are levied by the same taxing authority on

the same entity.

VAT

Revenue, expenses, assets and liabilities are recognized less VAT, except for:

- the situations when VAT paid at the purchase of assets or services is not recoverable – it is recognized as a portion of cots of the asset or as a cost item; and
- receivables and liabilities which are recognized together with VAT.

The net VAT, recoverable or due to the tax authorities is recognized in the balance sheet as a portion of receivables or liabilities.

Capital management

The purpose of capital management in the HAWE Group is to maintain its ability to operate as a going concern and perform planned investments so that the Group is able to generate a return for shareholders and provide other stakeholders with benefits.

According to market practices, control of efficient use of the capital is based on:

- the equity indicator calculated as net tangible assets (equity less intangible assets) divided by the balance sheet total;
- the total of loan, credit and finance lease liabilities divided by EBITDA. EBITDA is calculated as operating profit plus depreciation/amortization.

Net earnings per share

Net earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares in a given reporting period.

3. CHANGES IN ACCOUNTING PRINCIPLES AND ADJUSTED ERRORS IN THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PREVIOUS FINANCIAL YEAR

Selected items of the comparable data as at 31 December 2011 included in the consolidated balance sheet presented herein differ from the balance sheet included in the consolidated financial statements of HAVE Capital Group for 2011. The changes/adjustments result solely from changes introduced to the financial statements of the subsidiary HAWE Telekom Sp. z o.o.

Having reviewed recognition of financial leases regarding telecom infrastructure in the financial statements of the company for the period preceding the current reporting period, the Management Board of HAWE Telekom Sp. z o.o. considered reasonable to adjust certain amounts disclosed therein.

The changes, whose effects are presented in the following table, arise from the adjusted approach to certain material elements of settlement of network leases, namely:

- the manner of determining the costs of leased telecom infrastructure. The Management Board of HAWE Telekom concluded that the lease of fiber optics does not result in the lease of telecom piping where the fiber optics are located. Thus, inconsistency among the manner of determining the transaction revenue (fair value of fiber optics only) and cost (both the fiber optics and a portion of the value of piping) has been eliminated;

- parameters assumed to determine the fair value of maintenance services, colocation services and fiber rental fees for the purpose of settlement of contractual amounts in line with IFRIC 4. The Management Board of HAWE Telecom decided that the previous separation of the contractual amounts resulted in understatement of fees assigned to fiber optics and overstatement of those assigned to the maintenance services. Remeasurement of fair value of the services based on the analysis of actual maintenance costs has allowed more rational classification of these fees in line with

IFRIC 4;

- the level of the interest rate used to settle lease fees. The Management Board of HAWE Telekom decided that these rates should be closer linked to the estimated credit rating of lessees on the financial market. This allows more reliable estimation of risk related to contracts and more rational classification of lease fees into principal and interest;

- comprehensive (unified) approach to disclosing of a certain network lease contract performed in 2011/2012 in the financial statements. The Management Board of HAWE Telekom decided that both contract provisions and evaluation of the potential use of the fiber optic network by the lessor necessitate its full disclosure in the financial statements only once completed, i.e. in 2012 and eliminating of the portion disclosed in 2011 financial statements;

- unifying recognition of revenue from fiber optics maintenance services in the financial statements. The revenue has been separated from lease fees pertaining to contracts with maintenance fees included in the price of fiber optics.

The above adjustments result in a change in balance sheet items in the previous years, and at the same time did not affect the net profit/loss or equity of HAWE Capital Group for these years.

The following table presents the consolidated balance sheet including the previous year's closing balance for the items that have changed as a result of the above measures.

	Balance as at 31 December 2011 before changes	**Changes**	**Balance as at 31 December 2011 after changes**
Non-current assets including:	**340 227**	**-4 189**	**336 039**
Technical infrastructure	115 337	9 680	125 016
Trade and other receivables	168 656	-13 869	154 787
Current assets	**164 820**	**0**	**164 820**
TOTAL ASSETS	**505 047**	**-4 189**	**500 859**
Equity	**285 099**	**0**	**285 099**
Non-current liabilities, including:	**162 257**	**-4 189**	**158 068**
Other financial liabilities	5 868	-4 189	1 679
Current liabilities	**57 691**	**0**	**57 691**
TOTAL EQUITY AND LIABILITIES	**505 047**	**-4 189**	**500 859**

4. TYPE AND VALUE OF CHANGES IN ESTIMATES PRESENTED IN THE PREVIOUS INTERIM REPORTING PERIODS OF THE CURRENT FINANCIAL YEAR OR CHANGES IN ESTIMATES PRESENTED IN PREVIOUS FINANCIAL YEARS

During the period included in these consolidated financial statements, changes in the estimates of deferred tax and provisions occurred.

Deferred tax liability	**30.06.2012**	**Changes in the period from 01.01.2012 to 30.06.2012**	**31.12.2011**
Long-term construction contracts	832	13	819
Interest on deposits	0	-32	32
Annual VAT adjustment	0	-12	12
Finance lease agreements	42 196	7 498	34 698
Total	**43 028**	**7 468**	**35 560**

Deferred tax asset	30.06.2012	Changes in the period from 01.01.2012 to 30.06.2012	31.12.2011
Retirement benefits and unused paid vacation	37	-12	49
Accruals	1 097	332	765
Provisions recognized for costs	676	39	638
Tax amortization/depreciation	2 826	203	2 623
Exchange losses	257	258	-1
Non tax-deductible expenses	88	82	7
Interest accrued but unpaid	922	274	648
Impairment of assets	852	428	424
Differences pertaining to liabilities	31	-208	239
Losses deductible from future taxable income	7 547	-168	7 715
Total	**14 334**	**1 228**	**13 106**

Change in provisions	30.06.2012	31.12.2011
Opening balance	**2 793**	**1 387**
Recognized provisions	1 288	2 104
Derecognized provisions	-2 907	-698
Closing balance	**1 174**	**2 793**

5. SIGNIFICANT ACHIEVEMENTS OF THE ISSUER IN THE PERIOD INCLUDED IN THE REPORT AND THE LIST OF KEY EVENTS

Carrying out Stage III of the HAWE National Fiber Optic Network project

In the first half of 2012, the subsidiary HAWE Telekom Sp. z o.o. continued the construction, which had commenced in 2010, of the Poznań – Wrocław section as part of Stage III of the HAWE National Fiber Optic Network construction (only minor work in Wrocław remains to be completed). The company also carried out work in the other sections to be completed within Stage III of the investment.

In addition, on 30 January 2012, HAWE Telekom Sp. z o.o. signed an agreement with Netia S.A. (which is not a material agreement) pursuant to which Netia S.A. will construct, sell and transfer to HAWE Telekom for operation fiber optic infrastructure connecting Kraków with Katowice. The section will be handed over in the second half of 2012 and will constitute a new addition to HAWE Telekom's own infrastructure as part of Stage III of the HAWE National Fiber Optic Network construction.

In the next years, Stage III of the investment of HAWE Telekom Sp. z o.o. will comprise design and construction of the following new sections:

- Katowice – Opole – Wrocław;
- Łódź – Zgierz – Golędzkie;
- Sochaczew – Warszawa;
- Warszawa – Biała Podlaska – Terespol.

Completion of the aforesaid investment will close the construction of the HAWE National Fiber Optic Network. The network will be about 3,926 km long and it will connect the biggest urban areas and the key administrative and economic areas of Poland.

Expansion of the infrastructure of HAWE National Fiber Optic Network

In the first half of 2012, the subsidiary HAWE Telekom Sp. z o.o. commenced extension of its infrastructure in parts used for a number of years to provide services to other operators. The expansion of the infrastructure consists in installation of an optical fiber cable in the second out of the three pipes in the existing cable duct. As a result more optical fibers will be available to the clients. In the previous financial years, the Company's Management Board emphasized the need for such investment because the most popular sections of the optical fiber network lacked capacity. Since the current investment does not require construction of a new pipeline and the existing one can be used instead, the capital expenditure will be lower than the expenditure required for construction of new infrastructure. The Company anticipates completing the work in the second half of 2012. The decision to expand the existing infrastructure was the result of the growing demand of the domestic and international fixed and mobile telephone operators and Internet and cable television providers for the services offered by HAWE Telekom Sp. z o.o., which had run out of capacity.

New agreements for long-term lease of own optical fiber infrastructure
In the first half of 2012, the subsidiary HAWE Telekom Sp. z o.o. continued to win new clients for the lease of "dark fiber". Among others, the Company has signed agreements with Netia S.A., ATM S.A., Polska Telefonia Cyfrowa S.A., Polkomtel S.A., Multimedia Polska S.A., UPC Polska Sp. z o.o., Aero^{2}Sp. z o.o., Vectra S.A., GTS Poland Sp. z o.o., TK Telekom Sp. z o.o. and RETN. The financial impact of the agreements whose performance has not commenced will be presented on the financial statements for future financial years. The growing number of new agreements signed reflects the growing need of for fixed and mobile telephone operators and Internet and cable television providers for such this service.

Agreement with TP Teltech Sp. z o.o.
On 21 February 2012, the subsidiary HAWE Telekom Sp. z o.o. signed an agreement with TP Teltech Sp. z o.o. The agreement has been concluded until 30 September 2013; the scope covers design and construction work to be carried out as part of the Lubuskie Regional Operational Programme for the years 2007-2013 – "Lubuskie broadband – construction of a backbone-distribution network in the blank areas on the map of the Lubuskie Region". The agreement is for the provision of services by HAWE Telekom Sp. z o.o. consisting in design and construction, including delivery of materials, of broadband infrastructure in the Lubuskie Region in the Międzyrzecz, Świebodzin, Żagań and Żary Municipalities. The anticipated revenue of HAWE Telekom Sp. z o.o. under the agreement will be about PLN 22 million.

Agreement with TP Teltech Sp. z o.o. and Alcatel-Lucent Polska Sp. z o.o.
On 7 March 2012, HAWE S.A. signed a cooperation agreement with TP Teltech Sp. z o.o. and Alcatel-Lucent Polska Sp. z o.o. The agreement defines cooperation between the parties on development of broadband infrastructure in Eastern Poland. Pursuant to the agreement, parties will establish a new entity that will serve as a vehicle for cooperation on the design and construction of the Eastern Poland Broadband Internet Network in accordance with the DBO ("Design, Build and Operate") or DBOT ("Design, Build, Operate and Transfer") models. The agreement has been concluded for a definite period until 31 December 2015.
The Eastern Poland Broadband Internet Network project covers the Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie and Warmińsko-Mazurskie Provinces. The project consists of construction of over 10,000 km of optical fiber network and 1,000 backbone-distribution nodes. The value of the project is over PLN 1.4 billion (including over PLN 1 billion from the EU funds). On 10 November 2011, the Ministry of Regional Development completed the notification period and obtained the European Commission's consent for granting state aid to the aforesaid project. Thanks to the European Commission's consent, local governments will be able to start tender procedures without the risk of having their investments rejected by the European Union.
The aforesaid agreement will help improve the competitiveness of Eastern Poland on the telecommunications market and the broadband Internet offering in Eastern Poland and thus eliminate digital exclusion in compliance with the rules on public aid and competitive balance protection.

Generali OFE becoming a major shareholder of HAWE S.A.
In the first half of 2012 HAWE S.A. continued the program of redemption of its treasury shares which commenced in 2011, described in detail in point 1 hereof. The purpose of these activities is to put the shareholder structure in order on the basis of big, stable financial institutions with a long-term investment horizon.
As a result of that initiative, HAWE S.A. gained a new major shareholder, i.e. Generali Otwarty Fundusz Emerytalny which acquired 7,000,000 shares in the Company, each with a nominal value of PLN 1.00, accounting for 6.53% of the Company's share capital and 6.53% votes at the General Shareholders' Meeting, in two block transactions at the stock exchange on 6 March 2012.

Inclusion of HAWE S.A. in the mWIG40 stock market index
Following an annual review of the listed companies after the stock exchange session on 16 March 2012, HAWE S.A. was reclassified from the sWIG80 to the mWIG40 index.

Formation of a syndicate by HAWE S.A. and IT POLPAGER S.A. in relation to acquisition of 100% shares in TK Telekom Sp. z o.o., Syndicate's exclusive right to negotiate the acquisition
On 29 May 2012, HAWE S.A. signed a Syndicate Agreement and a Memorandum of Understanding to the Syndicate Agreement with IT POLPAGER S.A., with its registered office in Warsaw.
The Syndicate Agreement concerns formation of the Syndicate whose parties would co-purchase shares in TK Telekom Sp. z o.o. and where HAWE S.A. would assume the position of the Syndicate's leader, granting HAWE S.A. the exclusive right to represent the Syndicate outside, including in the relations with Polskie Koleje Państwowe S.A. and its advisors engaged in the sale of shares in TK Telekom Sp. z o.o. In addition, the Syndicate Agreement regulates the mutual relations of the parties in respect of presenting a joint offer, participation in the purchase price and acquisition of shares should an agreement on the purchase of shares in TK Telekom Sp. z o.o. be reached.
In the Memorandum of Understanding, the parties agreed that as at the Syndicate Agreement execution date, the financial commitment of IT POLPAGER S.A. would be PLN 50 million.
At the end of the reporting period, i.e. on 31 July 2012, the Management Board of Polskie Koleje Państwowe S.A. made a decision to grant the HAWE S.A. and IT POLPAGER S.A. Syndicate an exclusive right to conduct the final round of negotiations on acquisition of 100% shares in TK Telekom Sp. z o.o.

Annex to the Credit Agreement executed by subsidiary HAWE Telekom Sp. z o.o. with Alior Bank S.A.
On 5 June 2012, the subsidiary HAWE Telekom Sp. z o.o. signed an Annex to the revolving loan agreement with Alior Bank S.A. of 26 August 2011 which consolidated two Loan Agreements concluded on 26 August 2011 by replacing two loans of PLN 10 million and PLN 15 million with one loan of PLN 25 million. The new loan repayment term is 4 June 2013. Also, HAWE Telekom Sp. z o.o. signed annexes to the agreements for transfer of receivables concluded by HAWE Telekom Sp. z o.o. and HAWE Budownictwo Sp. z o.o with Alior Bank S.A. of 26 August 2011 to secure the aforementioned loans. All other material terms and conditions remain unchanged.

6. KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR INDUSTRY OR GEOGRAPHICAL SEGMENTS, DEPENDING ON WHICH REPORTING SYSTEM IS USED BY THE CAPITAL GROUP

The key industry segments in which the Capital Group conducted activities in the first half of 2012:

- Telecommunications services provided using telecommunications infrastructure (telecommunications segment);
- Construction, design and maintenance of third-party networks (construction segment);
- Capital group management.

The key items from the consolidated financial statements divided by business segment:

	Telecommunications services provided using telecommunications infrastructure	Construction, design and maintenance of third-party networks	Capital group management	Elimination	**Total operations**
For 6 months ended 30 June 2012					
Sales revenue, including:	52 097	14 247	4 024	-10 339	**60 029**
- external	49 910	8 103	2 016		60 029
- internal	2 187	6 144	2 008	-10 339	0
Gross profit (loss) on sales	32 949	-2 682	944		**31 211**
Net profit (loss)	21 624	-5 090	-2 571		**13 963**
For 6 months ended 30 June 2011					
Sales revenue, including:	35 165	23 069	2 549	-19 816	**40 968**
- external	30 096	10 785	88		40 968
- internal	5 070	12 285	2 462	-19 816	0
Gross profit (loss) on sales	19 527	1 719	-1 248		**19 998**
Net profit (loss)	13 778	226	- 3 308		**10 696**
Balance as at 30 June 2012					
Assets	494 410	20 157	34 297		**548 863**
Liabilities	228 390	15 986	1 248		**245 624**
Balance as at 31 December 2011					
Assets	446 955	19 209	34 694		**500 859**
Liabilities	200 350	14 206	1 204		**215 759**

The HAWE Capital Group generated a loss on construction activities as a result of significant one-time restructuring charges in the subsidiary HAWE Budownictwo Sp. z o.o. The effect of the restructuring in the construction segment will be visible in the future.

7. ITEMS IMPACTING ASSETS, LIABILITIES, EQUITY, NET PROFIT OR CASH FLOWS THAT ARE UNUSUAL OR EXTRAORDINARY DUE TO THEIR TYPE, VALUE OR FREQUENCY

Unusual or extraordinary items due to their type, value or frequency did not occur during the reporting period.

8. SEASONAL AND CYCLICAL NATURE OF BUSINESS DURING THE PERIOD

One of the types of the HAWE Capital Group's core activity is lease of optical fibers to telecommunications operators. The HAWE Capital Group signs most of the agreements for these services in Q4 which is a result of the lead times of investment projects in respect of expansion of operators' infrastructure.

Construction, including construction of telecommunications infrastructure is another type of the HAWE Capital Group's core activity whose nature is seasonal and cyclical due to the following factors:

- The telecommunications market in Poland is shaped by few investors whose investment budgets are usually approved in Q1, so tender procedures for design and construction work are usually conducted in Q2 of the same year.

- The HAW Capital Group builds telecommunications and electrical power ducts. Frozen ground hinders and sometimes makes work impossible. Thawing frozen ground after a period of very low temperatures is a time-consuming process and it can slow down work even if the air temperature rises.

- Optical fiber cables cannot be air-blown (installed in ducts) in temperatures below five degrees Celsius.

- Construction and traffic law imposes many weather-related constraints, especially in winter (for example construction work cannot be carried out when the air temperature drops below four degrees Celsius).

- During in the summer earthwork in the field is impeded by the growing season. The HAWE Capital Group has to pay damages to farmers for the possibility of digging.

9. ISSUE AND REDEMPTION OF DEBT SECURITIES AND EQUITY SECURITIES BY COMPANIES IN THE CAPITAL GROUP IN THE CURRENT AND PREVIOUS REPORTING PERIODS

Bonds issued and redeemed by HAWE Telekom Sp. z o.o. in the current and previous reporting periods

Nominal value	Issue date	Redemption date	Comments	Program
2009				
3 510	27 October 2009	31 January 2011	Discounted	Program Raiffeisen Bank Polska S.A.
3 510				**TOTAL 2009**
2010				
100	29 April 2010	Before redemption date on 8 March 2011	Not discounted	DM IDM S.A. Program
1 000	29 April 2010	Before redemption date on 22 February 2011	Not discounted	DM IDM S.A. Program
5 100	30 April 2010	Before redemption 8 March 2011	Not discounted	DM IDM S.A. Program
11 500	02 June 2010	2 June 2011	Not discounted	DM IDM S.A. Program
2 120	20 July 2010	2 January 2011	Discounted	Raiffeisen Bank Polska S.A. Program
200	30 July 2010	Before redemption date on 8 March 2011	Not discounted	DM IDM S.A. Program
2 000	16 December 2010	Before redemption date on 22 February 2011	Not discounted	DM IDM S.A. Program
22 020				**TOTAL 2010**

The interest rate of the bonds was higher than WIBOR from the date of issuing the bonds.
The funds obtained as a result of the issue of bonds were earmarked for investment activities of HAWE Telekom Sp. z o.o.
HAWE Telekom Sp. z o.o. received funds for the redemption of its bonds from loans granted by HAWE S.A. as a result of issuing new bonds or a loan granted to HAWE Telekom Sp. z o.o. by Agencja Rozwoju Przemysłu S.A.
Some of the bonds were redeemed before the redemption date. This was done in connection with comprehensive refinancing of debt, mainly conversion of short-term debt into long-term debt, which reflects the long-term nature of HAWE Telekom's investments with a long period of return of investment and which has a positive impact of the Company's and its subsidiaries'' image in the eyes of financial institutions and potential investors.

Bonds issued and redeemed by HAWE S.A. in the current and previous reporting periods

Nominal value	Issue date	Redemption date	Comments	Program
2010				
5 000	25 February 2010	25.02.2011	Not discounted	DM IDM S.A. program
10 000	31 March 2010	Before redemption date on 8 March 2011	Not discounted	DM IDM S.A. program
10 000	19 April 2010	Before redemption date on 8 March 2011	Not discounted	DM IDM S.A. program
5 000	31 May 2010	Before redemption date on 8 March 2011	Not discounted	DM IDM S.A. program
7 000	20 July 2010	Before redemption date on 8 March 2011	Not discounted	DM IDM S.A. program
14 000	10.12.2010	12 December 2011	Not discounted	DM IDM S.A. program
1 448	10 December 2010	10 March 2011	Not discounted	DM IDM S.A. program
52 448				**TOTAL 2010**

The interest rate of the bonds was higher than WIBOR from the date of issuing the bonds.

Most of the funds in the form of loans obtained as a result of the issue of bonds were earmarked for investment activities of HAWE Telekom Sp. z o.o.

Redemption of bonds was funded by issuing new bonds or a loan granted to HAWE Telekom Sp. z o.o. under a set-off agreement signed with Agencja Rozwoju Przemysłu S.A.

Some of the bonds were redeemed before the redemption date. This was done in connection with comprehensive refinancing of debt, mainly conversion of short-term debt into long-term debt, which reflects the long-term nature of HAWE Telekom's investments with a long period of return of investment and which has a positive impact of the Company's and its subsidiaries'' image in the eyes of financial institutions and potential investors.

10. DIDIVENDS PAID (TOTAL OR PER SHARE) FOR ORDINARY SHARES AND OTHER SHARES, IF ISSUED BY THE PARENT ENTITY

The Company did not pay any dividends during the reporting period or in the previous financial year.

11. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS SINCE THE END OF THE PREVIOUS REPORTING PERIOD

In conducting its activities and obtaining financing for its investments and current operations, the Capital Group grants sureties and guarantees as collateral of its liabilities.

The key liabilities are those in respect of credit facilities and loans taken out by the subsidiary HAWE Telekom. HAWE S.A. also granted sureties and guarantees as collateral of the liabilities of HAWE Telekom and HAWE Budownictwo to banks, insurance companies, service providers and suppliers of goods and materials.

The Capital Group's contingent liabilities and collateralized liabilities as at the last day of the reporting period and the previous year:

Item	30.06.2012			31.12.2011		
	Liability	Value of collateral	Type of collateral	Liability	Value of collateral	Type of collateral
Loan taken out by the subsidiary HAWE Telekom Sp. z o.o. from Agencja Rozwoju Przemysłu S.A.	100 000	150 000	Tangible fixed assets, blank promissory note, guarantee of payment granted by HAWE S.A. and HAWE Budownictwo Sp. z o.o., executory clause	100 000	150 000	Tangible fixed assets, blank promissory note, guarantee of payment granted by HAWE S.A. and HAWE Budownictwo Sp. z o.o., executory clause
Loan taken out by the subsidiary HAWE Telekom Sp. z o.o. from tehbank DnB NORD Polska S.A.	38 452	66 000	Receivables, tangible fixed assets, registered pledge and first ranking registered pledge in the account of HAWE Telekom Sp. z o.o., guarantee of payment granted by HAWE S.A., executory clause, power of attorney to bank account	21 472	66 000	Receivables, tangible fixed assets, registered pledge and first ranking registered pledge in the account of HAWE Telekom Sp. z o.o., guarantee of payment granted by HAWE S.A., executory clause, power of attorney to bank account
Revolving loan taken out by the subsidiary HAWE Telekom Sp. z o.o. from Alior Bank S.A. (the loan is a result of consolidation of two revolving loan agreements on 5 June 2012; prior to that, the collateral was in respect of the two revolving loans), guarantees granted by Alior Bank S.A. to HAWE S.A.	25 000	50 000	Receivables, tangible fixed assets, guarantee of payment, executory clause, power of attorney to bank account	25 000	50 000	Receivables, tangible fixed assets, blank promissory note, guarantee of payment granted by HAWE S.A. and HAWE Budownictwo Sp. z o.o., executory clause, power of attorney to bank account
Investment loan taken out by the subsidiary HAWE Telekom Sp. z o.o. from BPS S.A.	1 590	3 099	Tangible fixed assets, blank promissory note, executory clause, power of attorney to bank account	1 740	3 099	Tangible fixed assets, blank promissory note, executory clause, power of attorney to bank account
Insurance guarantee constituting performance bond of a lease agreement between the subsidiary HAWE Telekom Sp. z o.o. and Polska Telefonia Cyfrowa S.A., to be used by Polskie Towarzystwo Ubezpieczeń S.A.	0	0	-	0	2 000	Promissory note payment guarantees issued by HAWE S.A. and promissory note agreements
Liabilities of the subsidiary HAWE Telekom Sp. z o.o. to T.U. S.A.	0	4 000	Promissory note payment guarantees issued by HAWE S.A.	0	4 000	Promissory note payment guarantees issued by HAWE S.A.
Liabilities of the subsidiary HAWE Telekom Sp. z o.o. to S.T.U. Ergo Hestia S.A.	0	500	Promissory note payment guarantees issued by HAWE S.A.	0	500	Promissory note payment guarantees issued by HAWE S.A.
Liabilities of the subsidiary HAWE Telekom Sp. z o.o. to PZU S.A.	0	4 000	Promissory note payment guarantees issued by HAWE S.A. and HAWE Budownictwo Sp. z o.o.	0	4 000	Promissory note payment guarantees issued by HAWE S.A. and HAWE Budownictwo Sp. z o.o.
Liabilities of the subsidiary HAWE Budownictwo Sp. z o.o. to PZU S.A.	0	1 500	Promissory note payment guarantees issued by HAWE S.A. and HAWE Telekom Sp. z o.o.	0	1 500	Promissory note payment guarantees issued by HAWE S.A. and HAWE Telekom Sp. z o.o.
Liabilities of the subsidiary HAWE Budownictwo Sp. z o.o. to ONNINEN Sp. z o.o.	86	1 000	Payment guarantee by HAWE S.A.	360	1 000	Payment guarantee by HAWE S.A.
Liabilities of the subsidiary HAWE Telekom Sp. z o.o. to TELE-FONIKA Kable Sp. z o.o. S.K.A.	0	0	-	3	1 500	Payment guarantee by HAWE S.A.

Liabilities of the subsidiary HAWE Budownictwo Sp. z o.o. to TELE-FONIKA Kable Sp. z o.o. S.K.A.	6 307	7 650	Payment guarantee by HAWE S.A.	0	0	-
Liabilities of the subsidiary HAWE Telekom Sp. z o.o. to Warszawskie Przedsiębiorstwo Robót Telekomunikacyjnych S.A.	491	1 000	Payment guarantee by HAWE S.A.	562	1 000	Payment guarantee by HAWE S.A.
Liabilities of the subsidiary HAWE Telekom Sp. z o.o. to TP TELTECH Sp. z o.o.	0	1 500	Performance bond granted by the bank DnB NORD Polska S.A., corporate guarantee granted by HAWE S.A.	0	0	-
Liabilities of the subsidiary HAWE Telekom Sp. z o.o. to PKN ORLEN S.A.	42	300	Payment guarantee granted by the bank DnB NORD Polska S.A., corporate guarantee granted by HAWE S.A.	0	0	-
Liabilities of the subsidiary HAWE Budownictwo Sp. z o.o. to PKN ORLEN S.A.	0	180	Payment guarantee granted by the bank DnB NORD Polska S.A., guarantee granted by HAWE Telekom Sp. z o.o.	0	0	-
Leases	5 291	3 898	Promissory notes and promissory note agreements	4 623	3 837	Promissory notes and promissory note agreements
Total	**177 259**	**294 628**		**153 761**	**288 436**	

[1] *Part of the collateral value determined on the basis of minimum lease payments*

12. RELATED PARTY TRANSACTIONS EXECUTED BY THE ISSUER OR SUBSIDIARY

Neither the Company nor its subsidiaries concluded related party transactions on non-arm's length terms.

Most of the related party transactions executed in the previous reporting periods were loan agreements between HAWE S.A. and HAWE Telekom Sp. z o.o., pursuant to which HAWE S.A. granted loans to the subsidiary HAWE Telekom Sp. z o.o.

On 30 June 2012, annexes were added to the loan agreements under which HAWE S.A. granted loans to the subsidiary HAWE Telekom Sp. z o.o., postponing the payment date until 1 July 2014. The change to the loan agreements is the result of interim management of the liquidity of the HAWE Capital Group.

The interest income earned by HAWE S.A. in the first half of 2012 was PLN 1,222 thousand. The income is eliminated from the consolidated financial statements.

Loan agreements as at 30 June 2012:

(PLN '000)

Agreement date	Maturity of principal amount	Maturity of interest amount	Annual IR	Principal amount as per agreement	Principal amount outstanding as at 30 June 2012	Interest amount outstanding as at 30 June 2012	Total amount outstanding as at 30 June 2012
2008-01-04	repaid	2014-07-01	6M WIBOR + margin	4 900 000.00	0.00	154 367.01	154 367.01
2008-03-12	repaid	2014-07-01	6M WIBOR + margin	5 000 000.00	0.00	879 295.89	879 295.89
2008-04-17	repaid	2014-07-01	6M WIBOR + margin	6 000 000.00	0.00	1 008 821.92	1 008 821.92
2008-04-22	repaid	2014-07-01	6M WIBOR + margin	7 300 000.00	0.00	1 219 050.00	1 219 050.00
2008-05-05	repaid	2014-07-01	6M WIBOR + margin	8 000 000.00	0.00	1 313 481.64	1 313 481.64
2009-04-07	2014-07-01	2014-07-01	6M WIBOR + margin	21 540 000.00	21 540 000.00	4 171 206.25	25 711 206.25
2009-09-09	2014-07-01	2014-07-01	6M WIBOR + margin	8 000 000.00	3 000 000.00	691 983.93	3 691 983.93
2009-12-15	2014-07-01	paid quarterly	Fixed, over the WIBOR rate on the agreement date	13 280 000.00	1 373 571.87	2 843 372.25	4 216 944.12
2011-01-26	2014-07-01	paid semi-annually	6M WIBOR + margin	3 510 000.00	3 510 000.00	636 138.94	4 146 138.94
2011-02-16	2014-07-01	paid semi-annually	6M WIBOR + margin	3 500 000.00	1 500 000.00	263 630.14	1 763 630.14
				TOTAL, including:	**30 923 571.87**	**13 181 347.97**	**44 104 919.84**
				long-term	30 923 571.87	9 438 206.65	40 361 778.52
				short-term	0.00	3 743 141.32	3 743 141.32

There were no material related party transactions in the first half of 2012.

After the end of the reporting period, on 30 July 2012, the Extraordinary General Shareholders' Meeting of the subsidiary HAWE Budownictwo Sp. z o.o. passed a resolution increasing the share capital of HAWE Budownictwo Sp. z o.o. from PLN 1,000,000.00 to PLN 1,001,000.00, i.e. by PLN 1,000.00, through an issue of one new share with a nominal value of PLN 1,000.00.

HAWE Budownictwo's sole shareholder, i.e. HAWE S.A. took up the share for PLN 8,000,000.00. The share premium of PLN 7,999,000.00 was transferred to the supplementary capital

HAWE S.A. made a non-monetary contribution to the increased share capital in the form of a receivable of PLN 8,000,000.00 from the subsidiary HAWE Telekom Sp. z o.o.; the receivable is in respect of the right to a portion of the principal of the loan of 7 April 2009 granted to HAWE Telekom by HAWE S.A.

As a result, the Companies made mutual settlements with a value of PLN 8,000,000.00:

- HAWE S.A. set off its receivables from HAWE Telekom under a loan agreement against its liabilities to HAWE Budownictwo in respect of the share capital increase;

- HAWE Telekom set off its liabilities to HAWE S.A. under a loan agreement against its receivables from HAWE Budownictwo in respect of earlier settlements between HAWE Budownictwo and HAWE Telekom;

- HAWE Budownictwo set off its liabilities to HAWE Telekom in respect of earlier settlements between HAWE Budownictwo and HAWE Telekom against its receivables from HAWE S.A. in respect of the share capital increase.

By the date of publication of these financial statements, the increase in the share capital of HAWE Budownictwo Sp. z o.o. had not been registered by a court.

There were no material related party transactions during the period between the end of the first half of 2012 and the date of publication of these financial statements.

13. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD WHOSE IMPACT WAS NOT INCLUDED IN THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD, DISCLOSED IN ACCORDANCE WITH IAS 10 "EVENTS AFTER REPORTING PERIOD"

Changes in the Company's major shareholders

On 9 July 2012, Mr. Marek Falenta, a major shareholder of HAWE S.A., donated 3,523,340 shares in HAWE S.A to the company Falenta Investments Ltd., with its registered office in Larnaca, Cyprus, in which Mr. Marek Falenta holds directly 100% shares.
Prior to the donation, Mr. Marek Falenta held directly 7,898,363 shares in the Company's share capital, which constituted 7.37% of the Company's share capital and gave the holder 7,898,363 votes at the General Shareholders' Meeting, i.e. 7.37% of the total number of votes.
Since the donation, Mr. Marek Falenta has held directly 4,375,023 shares in the Company's share capital, which constituted 4.08% of the Company's share capital and gave the holder 4,375,023 votes at the General Shareholders' Meeting, i.e. 4.08% of the total number of votes.

Falenta Investments Ltd. is Mr. Marek Falenta's only subsidiary that holds shares in HAWE S.A. Since the donation, the entity has held 3,909,600 shares in the Company.
Since the aforesaid donation, Mr. Marek Falenta and his subsidiaries (i.e. Falenta Investments Ltd.) have held a total of 8,284,623 shares in the Company, which constitutes 7.73% of the Company's share capital and gives the holders 8,284,623 votes at the General Shareholders' Meeting, i.e. 7.73% of the total number of votes.

On 12 July 2012, as a result of selling shares in HAWE S.A., IDEA Towarzystwo Funduszy Inwestycyjnych S.A., acting on behalf of the open investment fund it has established, i.e. IDEA PARASOL Fundusz Inwestycyjny Otwarty, managed by the brokerage house Dom Maklerski IDM S.A., decreased its interest in the Company to 4,079,029 shares, i.e. 3.80% of the Company's share capital and which gives the holder 4,079,029 votes at the Company's General Shareholders' Meeting, i.e. 3.80% of the total number of votes.
Prior to the sale transaction, the Fund held directly 5,379,029 shares in the Company, which constituted 5.02% of the Company's share capital and gave the holder 5,379,029 votes at the General Shareholders' Meeting, i.e. 5.02% of the total number of votes.

As at the date of publication of these financial statements, the Company had the following shareholders with at least 5% in the total number of votes at the General Shareholders' Meeting:

Number of shares, interest in the share capital and votes at the General Shareholders' Meeting	**31 August 2012**	**30 June 2012**	**31 December 2011**
Trinitybay Investments Ltd.			
Number of shares	30 264 660	30 264 660	No data
Interest in the share capital	28.22%	28.22%	Less than 5%
% of votes	28.22%	28.22%	Less than 5%
Presto Sp. z o.o.			
Number of shares	0	0	28 132 160
Interest in the share capital	0.00%	0.00%	26.23%
% of votes	0.00%	0.00%	26.23%
Petrenams Ltd.			
Number of shares	9 751 041	9 751 041	9 751 041
Interest in the share capital	9.09%	9.09%	9.09%
% of votes	9.09%	9.09%	9.09%
Marek Falenta			
Number of shares	8 284 623	10 270 811	15 063 687
Interest in the share capital	7.73%	9.58%	14.05%
% of votes	7.73%	9.58%	14.05%
Generali OFE			
Number of shares	7 000 000	7 000 000	No data
Interest in the share capital	6.53%	6.53%	Less than 5%
% of votes	6.53%	6.53%	Less than 5%
TFI Pioneer			
Number of shares	No data	No data	10 236 872
Interest in the share capital	Less than 5%	Less than 5%	9.55%
% of votes	Less than 5%	Less than 5%	9.55%

IDEA TFI			
Number of shares	No data	5 379 029	No data
Interest in the share capital	Less than 5%	5.02%	Less than 5%
% of votes	Less than 5%	5.02%	Less than 5%
Other			
Number of shares	51 936 740	44 571 523	44 053 304
Interest in the share capital	48.43%	41.56%	41.08%
% of votes	48.43%	41.56%	41.08%
TOTAL			
Number of shares	**107 237 064**	**107 237 064**	**107 237 064**
Interest in the share capital	**100.00%**	**100.00%**	**100.00%**
% of votes	**100.00%**	**100.00%**	**100.00%**

Acquisition of shares in the Company by a member of the Supervisory Board

On 18 July 2012, Mr. Tomasz Misiak, Member of the Supervisory Board of HAWE S.A. bought 172,000 shares in the Company as a result of a transaction made in the ordinary session mode on a regulated market at a price of PLN 4.01 per share.

Change of the Issuer's market maker at the Stock Exchange

On 23 July 2012, the Company terminated effective from 31 October 2012, the Agreement for Market Making at the Warsaw Stock Exchange signed with Dom Maklerski IDM S.A., with its registered office in Krakow, on 8 September 2009.

On 9 August 2012, the Company signed an Agreement for Market Making at the Warsaw Stock Exchange with Dom Maklerski BZWBK S.A., with its registered office in Poznań. Services will be provided as of 1 September 2012.

Cooperation agreement between HAWE S.A. and Alcatel-Lucent Polska Sp. z o.o.

On 25 July 2012, HAWE S.A. and Alcatel-Lucent Polska Sp. z o.o. signed an agreement for cooperation on development of broadband Internet infrastructure in the Mazowsze Region as part of the Internet for Mazowsze Project. Pursuant to the agreement, parties will establish a new entity that will serve as a vehicle for cooperation on the design and construction of a broadband network in accordance with the DBO ("Design, Build and Operate") or DBOT ("Design, Build, Operate and Transfer") models. The agreement has been concluded for a definite period until 31 December 2015.

The Internet for Mazowsze project consists in construction of over 3.640 km of optical fiber network.

The value of the project is over PLN 493 million (85% will be funded by the EU).

The aforesaid agreement will help improve the competitiveness of the Mazowieckie Region on the telecommunications market and the broadband Internet offering in Mazowsze and thus eliminate digital exclusion in compliance with the rules on public aid and competitive balance protection.

Increase in the share capital of the subsidiary HAWE Budownictwo Sp. z o.o., setting off mutual receivables between Companies in the HAWE Capital Group

On 30 July 2012, the Extraordinary General Shareholders' Meeting of the subsidiary HAWE Budownictwo Sp. z o.o. passed resolution increasing the share capital of HAWE

Budownictwo Sp. z o.o. As a result, the Companies in the HAWE Capital Group set off their mutual receivables. A detailed description is provided in point 12 of these financial statements.

Receipt by the Syndicate established by HAWE S.A. and IT POLPAGER S.A. of exclusive right to conduct the final round of negotiations on acquisition of 100% shares in TK Telekom Sp. z o.o.

On 31 July 2012, the Management Board of Polskie Koleje Państwowe S.A. made a decision to grant the HAWE S.A. and IT POLPAGER S.A. Syndicate established by an agreement of 29 May 2009, the exclusive right to conduct the final round of negotiations on acquisition of 100% shares in TK Telekom Sp. z o.o.

The Company's Extraordinary General Shareholders' Meeting convened

On 23 August 2012, the Company's Management Board convened the Company's Extraordinary General Shareholders' Meeting for 18 September 2012. The agenda includes passing a resolution on the Company's share capital increase by way of private placement with a waiver of the pre-emptive rights of the existing shareholders. A detailed description is provided in point 1 of these financial statements.

Jerzy Karney	**Krzysztof Rybka**	**Dariusz Jędrzejczyk**
Chairman of the Management Board	Deputy-Chairman of the Management Board	Deputy-Chairman of the Management Board