



H A W E S.A.
H A W E Capital Group

INTERIM MANAGEMENT REPORT
ON THE ACTIVITIES OF THE COMPANY AND THE CAPITAL GROUP
IN THE FIRST HALF OF 2012

Warsaw, 31 August 2012

This Management Report was drawn up in accordance with Art. 90.1. taking into account the possibilities specified in Art. 83.3 of the Ordinance of the Minister of Finance of 19 February 2009, on current and periodic information provided by issuers of securities and conditions to treat information required by law of a non-member state as equivalent (*Journal of Laws of 2009 No. 33, item 259*).

Due to the nature of the activities conducted by HAWE S.A. and the HAWE Capital Group, this document constitutes both a Management Report on the Activities of the Company in the First Half of 2012 and Management Report on the Activities of the Capital Group in the First Half of 2012.

The accounting principles applied by the Parent Company and the Companies included in consolidation have been described in detail in the relevant note to the consolidated financial statements for the first half of 2012.

1. Basic financial data from the condensed financial statements (also converted to EUR)

Data from the condensed consolidated financial statements of the HAWE Capital Group

Selected financial data	(PLN `000)		(EUR `000)	
	First half year period from 01-01-2012 to 30-06-2012	First half year period from 01-01-2011 to 30-06-2011	First half year period from 01-01-2012 to 30-06-2012	First half year period from 01-01-2011 to 30-06-2011
I. Sales revenue	60 029	40 968	14 209	10 326
II. Gross profit on sales	31 211	19 998	7 388	5 041
III. Profit on operating activities	20 238	13 201	4 791	3 327
IV. EBITDA	24 581	17 152	5 819	4 323
V. Profit before tax	18 451	13 540	4 368	3 413
VI. Net profit	13 963	10 696	3 305	2 696
VII. Weighted average number of shares	107 237 064	105 557 506	107 237 064	105 557 506
VIII. Earnings per ordinary share (in PLN/EUR)	0,13	0,10	0,03	0,03
IX. Net cash flows from operating activities	-4 774	-13 171	-1 130	-3 320
X. Net cash flows from investing activities	-1 741	779	-412	196
XI. Net cash flows from financing activities	10 340	43 948	2 448	11 078
XII. Total net cash flows	3 825	31 556	905	7 954
	Balance as at 30 June 2012	Balance as at 31 December 2011	Balance as at 30 June 2012	Balance as at 31 December 2011
XIII. Current assets	173 816	164 820	40 789	37 317
XIV. Non-current assets	375 047	336 039	88 012	76 082
XV. Total assets	548 863	500 859	128 802	113 399
XVI. Current liabilities	64 003	57 691	15 020	13 062
XVII. Non-current liabilities	181 621	158 068	42 621	35 788
XVIII. Total liabilities	245 624	215 759	57 641	48 850
XIX. Equity	303 239	285 099	71 161	64 549

Data from the condensed financial statements of HAWE S.A.

Selected financial data	(PLN `000)		(EUR `000)	
	First half year period from 01-01-2012 to 30-06-2012	First half year period from 01-01-2011 to 30-06-2011	First half year period from 01-01-2012 to 30-06-2012	First half year period from 01-01-2011 to 30-06-2011
I. Sales revenue	4 024	2 549	952	643
II. Profit on sales	2 951	1 182	699	298
III. Profit on operating activities	-1 776	-1 590	-420	-401
IV. EBITDA	-1 619	-1 481	-383	-373
V. Profit before tax	-1 793	-1 599	-424	-403
VI. Net profit	-1 581	-1 344	-374	-339
VII. Weighted average number of shares	107 237 064	105 557 506	107 237 064	105 557 506
VIII. Earnings per ordinary share (in PLN/EUR)	-0,01	-0,01	0,00	0,00
IX. Net cash flows from operating activities	-1 106	1 321	-262	333
X. Net cash flows from investing activities	-128	-100	-30	-25
XI. Net cash flows from financing activities	-95	-4 347	-23	-1 096
XII. Total net cash flows	-1 330	-3 127	-315	-788
	Balance as at 30 June 2012	Balance as at 31 December 2011	Balance as at 30 June 2012	Balance as at 31 December 2011
XIII. Current assets	5 157	6 593	1 210	1 493
XIV. Non-current assets	415 909	415 346	97 601	94 038
XV. Total assets	421 065	421 939	98 811	95 531
XVI. Current liabilities	750	574	176	130
XVII. Non-current liabilities	3 336	3 325	783	753
XVIII. Total liabilities	4 086	3 900	959	883
XIX. Equity	416 979	418 039	97 853	94 648

2. Organizational structure of the Issuer's Capital Group, including consolidated entities

As at 30 June 2012, the **HAWE Capital Group** consisted of the following entities:

- **HAWE S.A.** the parent company (the "Issuer", "Company", "parent", "entity");
- **HAWE Telekom Sp. z o.o.** a subsidiary;
- **HAWE Budownictwo Sp. z o.o.** a subsidiary.

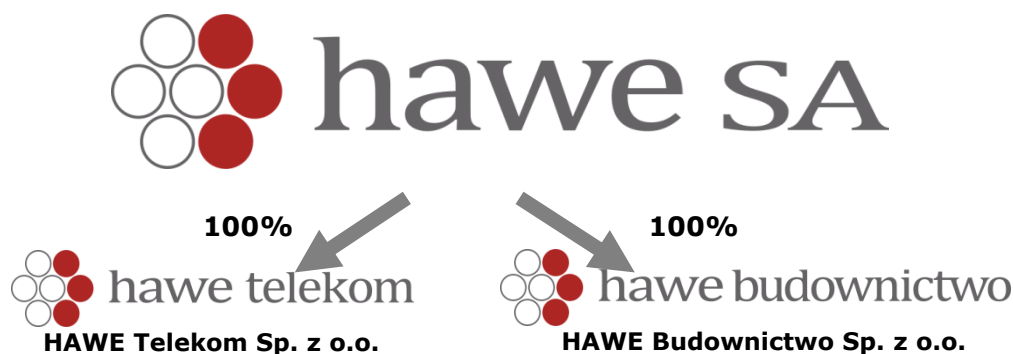


Chart. Organizational Structure of the HAWE Capital Group

HAWE S.A.

Full name: HAWE Spółka Akcyjna
Legal form: a joint stock company
Share capital: PLN 107,237,064.00, fully paid up, divided into 107,237,064 shares , with a nominal value of PLN 1.00 each
Registered: by the District Court for the Capital City of Warsaw, XII Business Division of the National Court Register, on 3 July 2002, under KRS number 0000121430
Registered office: ul. Franciszka Nullo 2
00-486 Warsaw
Telephone: 22 501 55 00
Fax: 22 501 55 01
E-mail: info@hawesa.pl
Website: www.hawesa.pl
Establishment date: 3 July 2002
Tax reg. No. (NIP): 527-23-80-580
Statistical No. (REGON): 015197353
Management Board Jerzy Karney - Chairman of the Management Board
Krzysztof Rybka - Deputy-Chairman of the Management Board
Dariusz Jędrzejczyk - Deputy-Chairman of the Management Board

HAWE Telekom Sp. z o.o.

Full name: HAWE Telekom Spółka z ograniczoną odpowiedzialnością (until 29 October 2010: Przedsiębiorstwo Budownictwa Technicznego HAWE Spółka z ograniczoną odpowiedzialnością)
Legal form: A limited liability company
Share capital: PLN 80,003,948.00, fully paid up, divided into 8,956 shares, with a nominal value of PLN 8,933.00 each
Registered: by the District Court in Wrocław-Fabryczna, IX Business Division of the National Court Register under KRS number 0000108425, on 24 April 2002
Address: ul. Działkowa 38
59-220 Legnica
Telephone: 76 851 21 31
Fax: 76 851 21 33
E-mail: office@hawetelekom.pl
Website: www.hawetelekom.pl
Establishment date: 18 October 1990
TAX REG. NO. (NIP): 691-020-23-18
STATISTICAL NO. (REGON): 004052152
Shareholders: HAWE S.A. - 100% of shares
Management Board Jarosław Józik - Chairman of the Management Board

HAWE Budownictwo Sp. z o.o.

Full name: HAWE Budownictwo Spółka z ograniczoną odpowiedzialnością
Legal form: A limited liability company
Share capital: PLN 1,001,000.00, fully paid up, divided into 1,001 shares with a nominal value of PLN 1,000.00 each (a share capital increase from PLN 1,000,000.00 to PLN 1,001,000.00, i.e. by PLN 1,000.00, based on the resolution of the General Shareholders' Meeting of HAWE Budownictwo Sp. z o.o. of 30 July 2012; by the date of publication of this report, the share capital increase had not been registered by a court)
Registration: by the District Court in Wrocław-Fabryczna, IX Business Division of the National Court Register under KRS number 0000354420, on 19 April 2010
Address: ul. Działkowa 38
59-220 Legnica
Telephone: 76 851 21 31
Fax: 76 851 21 33

E-mail: office@hawe-budownictwo.pl
Website: www.hawe-budownictwo.pl
Establishment date: 8 April 2010
TAX REG. NO. (NIP): 691-245-98-43
STATISTICAL NO.
(REGON): 021233305
Shareholders: HAWE S.A. - 100% of shares
Management Board Piotr Żegleń - Chairman of the Management Board

3. Effects of the changes in the entity's structure, including business combination, acquisition or disposal of entities in the Issuer's Capital Group, long-term investments, restructuring and discontinued operations

In the reporting period, the Company continued development of the Capital Group which pursued the strategy of "an operator of telecommunications operators" implemented by the subsidiary HAWE Telekom Sp. z o.o., and provided design and construction services and maintenance of third party networks carried out via its subsidiary HAWE Budownictwo Sp. z o.o.

In the first half of 2012, the departments providing construction services and third-party network maintenance services of HAWE Budownictwo Sp. z o.o. were restructured. The purpose of the restructuring was to reduce fixed costs and maintain the resources ensuring services provisioning continuity. To that end, the Company reduced the number of employees in those departments, signed agreements with subcontractors and sold some of the fixed assets, i.e. machinery and vehicles whose ownership is redundant in the current structure.

In order to improve operational performance as well as to standardize and optimize financial policy, the Group have carried out organizational restructuring of financial and personnel departments of the companies of the HAWE Capital Group. As a result of the restructuring with the effective date 1 June 2012 the financial and accounting functions as well as HR functions related to the companies of the Capital Group have been assigned to HAWE S.A. by transferring the employees of HAWE Telekom Sp. z o.o. and HAWE Budownictwo Sp. z o.o. to HAWE S.A. These activities have resulted in establishing of centralized financial and personnel departments providing the above-mentioned services to all companies of the Capital Group (in case of HAWE Telekom Sp. z o.o. and HAWE Budownictwo Sp. z o.o. based on agreements between those companies and HAWE S.A.).

After the end of the reporting period, on 30 July 2012, the Extraordinary General Shareholders' Meeting of HAWE Budownictwo Sp. z o.o. passed a resolution increasing the share capital from PLN 1,000,000.00 to PLN 1,001,000.00, i.e. by PLN 1,000.00, by issuing one new share with a nominal value of PLN 1,000.00. HAWE Budownictwo's sole partner, 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. The share capital increase is described in point 12 of the Condensed Financial Statement for the first half 2012 of the HAWE Capital Group. By the date of publication of this report, the share capital increase had not been registered by a court.

4. The Management Board's position on the chances of meeting the financial goals presented in the forecast for the year in light of the results presented in this report compared with the forecast results

On 13 February 2012, the Management Board of the Company published the following forecast of the HAWE Capital Group's 2012 financial results:

- Sales revenue: PLN 270.6 million;
- Gross profit: PLN 124.0 million;
- Net profit: PLN 101.1 million; and
- EBITDA: PLN 135.7 million.

(PLN million)

Item	6 months ended 30 June 2012 PERFORMANCE	12 months ended 31 December 2012 FORECAST
Sales revenue	60.0	270.6
Gross profit	18.5	124.0
Net profit	14.0	101.1
EBITDA	24.6	135.7

Key forecasting assumptions:

1. The forecast was based on the 2012 budgets of the Company's subsidiaries and 2011 provisional results of the HAWE Capital Group (provisional results were published on 6 February 2012; the difference between the 2011 forecast and actual results is discussed in point 13 of this report).
2. The forecast was presented in a consolidated form.
3. The forecast was based on the following:
 - HAWE Capital Group's schedules of broadband network construction in Poland;
 - HAWE Capital Group's schedules of telecommunications infrastructure investments in Poland;
 - HAWE Capital Group's estimates regarding demand for telecommunications infrastructure in Poland.
4. The 2012 financial results forecast has assumed that by the end of the financial year there will be no significant changes impacting the financial market on which the HAWE Capital Group operates, in particular that the PLN/EUR and PLN/USD exchange rates and the current interest rates will remain stable.
5. The forecast does not take into account the effect of possible acquisitions and consolidation processes on the telecommunications market.

The forecast presented by HAWE S.A. is not subject to verification by a registered auditor.

The Management Board of HAWE S.A. conducts on-going monitoring of forecast realization and makes estimates the feasibility of forecast realization once a quarter.

After evaluating the possibility of realization of the forecast on the basis of the results for the first half of 2012 presented in this report, the Management Board HAWE S.A. hereby upholds the 2012 financial results forecast.

The Management Board of HAWE S.A. will make another announcement regarding forecast realization after publication of the financial data for Q3 2012.

Assessment of the performance in relation to the forecast is based on sales revenue, operating expenses, capital expenditure incurred, progress of individual projects and market conditions impacting the Company's performance. If the difference between any of the items forecast and the actual figures exceeds 10%, adjustments to the forecast will be made in the form of a report.

5. Shareholders who on the date of issuing this report, held directly or indirectly via subsidiaries at least 5% of the total number of votes at the Issuer's General Shareholders' Meeting, including the number of shares held by those entities, percentage in the share capital, number of votes, the total number of votes at the General Shareholders' Meeting and changes in the structure of significant blocks of the Issuer's shares since publication of the previous interim report

As at the date of publication of the report for the first half 2012, the Company had the following shareholders with at least 5% in the total number of votes at the General Shareholders' Meeting:

Shareholder	Number of shares held	Share in share capital (%)	Number of votes	Percentage share in the total number of votes (%)	Change since publication of the previous interim report
Trinitybay Investments Ltd.	30 264 660	28.22%	30 264 660	28.22%	0
Petrenams Ltd.	9 751 041	9.09%	9 751 041	9.09%	0
Marek Falenta	8 284 623	7.73%	8 284 623	7.73%	-1 986 188
Generali OFE	7 000 000	6.53%	7 000 000	6.53%	0
IDEA TFI	No data	Less than 5%	No data	Less than 5%	-5 379 029
Other (<i>free float</i>)	51 936 740	48.43%	51 936 740	48.43%	7 365 217
TOTAL	107 237 064	100.00%	107 237 064	100.00%	0

On 17 May 2012, the subsidiary HAWE Telekom Sp. z o.o. realized one of the goals of the Program of Redemption of Treasury Shares, described in detail in point 1 of the financial statements for the first half of 2012, by selling 1,100,000 shares with a nominal value of PLN 1.00 each, constituting 1.03% of the share capital of HAWE S.A. and 1.03% of votes at its shareholders' meeting, to the key executives of the HAWE Capital Group. After the aforesaid transaction, as at the date of publishing this report, 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.

On 23 May 2012, as a result of the acquisition of shares, clients of BZ WBK Asset Management S.A., whose accounts are covered by management agreements, became owners of shares constituting over 5% of votes at the General Shareholders' Meeting of HAWE S.A. Before the increase in the number of shares, the clients of BZ WBK Asset Management S.A. held 5,322,965 shares in the Company's share capital and had 5,322,965 votes, i.e. 4.96% of the total. After the transaction of 23 May 2012, the total number of shares held by the Company went up to 5,380,465, which accounted for 5.02% in the share capital of the Company and 5,380,465, i.e. 5.02% votes at the General Shareholders' Meeting.

As a result of revocation of a power of attorney to manage an individual portfolio of financial instruments by a client of BZ WBK Asset Management S.A. on 31 May 2012, the clients of BZ WBK Asset Management S.A. whose accounts are covered by management agreements became owners of shares constituting less than 5% of votes at the General Shareholders' Meeting of HAWE S.A. Before the decrease in the number of shares, the clients of BZ WBK Asset Management S.A. held 5,376,773 shares, i.e. 5.01% in the Company's share capital and had 5,376,773 votes at the General Shareholders' Meeting, i.e. 5.01% of the total. On 31 May 2012, the total number of shares held in the Company went down to 5,269,472, which accounted for 4.91% of the Company's share capital and 5,269,472 votes, i.e. 4.91% of the total.

On 9 July 2012, Mr. Marek Falenta 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 constitutes 4.08% of the Company's share capital and gives 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 holds 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.

6. Shares in the Issuer or share options held by the Issuer's managers, supervisors, proxies or other individuals holding managerial positions who have uninterrupted access to confidential information and who have a material impact on its activities as at the date of submitting this report, as well as changes in the number of shares

and share options since submission of the previous interim report, separately for each individual

As at the date of publication of the report for the first half 2012, the following numbers of shares in the Company were held by managers, supervisors, proxies or other individuals holding managerial positions who have uninterrupted access to confidential information and who have a material impact on the activities of the Company:

Name	Position	Number of shares held	Notional value of shares held (PLN)	% interest in the share capital	Change since publication of the previous interim report
Jerzy Karney	Chairman of the Management Board	400,000	400,000.00	0.37%	400,000
Krzysztof Rybka	Deputy Chairman of the Management Board	1,484,651	1,484,651.00	1.38%	300,000
Dariusz Jędrzejczyk	Deputy Chairman of the Management Board	0	0.00	0.00%	0
Waldemar Falenta	Chairman of the Supervisory Board	255,200	255,200.00	0.24%	0
Wiesław Likus	Member of the Supervisory Board	0	0.00	0.00%	0
Dariusz Maciejuk	Member of the Supervisory Board	0	0.00	0.00%	0
Tomasz Misiak	Member of the Supervisory Board	172,000	172,000.00	0.16%	172,000
Lesław Podkański	Member of the Supervisory Board	124,014	124,014.00	0.12%	0
Qing Tian	Member of the Supervisory Board	0	0.00	0.00%	0
Dominik Drozdowski	Managing Director, Proxy	50,000	50,000.00	0.05%	50,000
Marcin Tarnicki	Managing Director	65,608	65,608.00	0.06%	50,000
Jarosław Józik	Chairman of the subsidiary's Management Board	264,047	264,047.00	0.25%	250,000
Piotr Żegleń	Chairman of the subsidiary's Management Board	0	0.00	0.00%	0
Ryszard Zajączkowski	Chief Accountant of the Capital Group	50,000	50,000.00	0.05%	50,000

On 17 May 2012, Mr. Jerzy Karney, Mr. Krzysztof Rybka, Mr. Dominik Drozdowski, Mr. Marcin Tarnicki, Mr. Jarosław Józik and Mr. Ryszard Zajączkowski acquired from the subsidiary HAWA Telekom Sp. z o.o. a total of 1,100,000 shares in the Company (as per the table above) as part of the Incentive Scheme for the key executives of the HAWA Capital Group, one of the goals of the Program of Redemption of Treasury Shares described in detail in point 1 of the financial statements for the first half of 2012.

On 18 July 2012 Mr. Tomasz Misiak, Member of the Supervisory Board of HAWA S.A. acquired 172,000 shares of the Company at a price of 4.01 per share during a main trading mode session on a regulated market.

Until 29 June 2012, Mr. Jerzy Karney, Chairman of the Management Board of HAWA S.A. was also Member of the Supervisory Board of the company Dom Maklerski IDM S.A. which acts as the market maker of the issuer HAWA S.A.

Mr. Krzysztof Rybka, Deputy Chairman of the Management Board of HAWE S.A. was also Chairman of the Management Board of the company Presto Sp. z o.o., a significant shareholder of HAWE S.A. until 24 January 2012. Mr. Krzysztof Rybka is also member of the *Alternate Director* management body of the company Trinitybay Investments Ltd., which has been a major shareholder of HAWE S.A. since 18 January 2012 – described in point 5 in this report.

Mr. Dariusz Maciejuk, Member of the Supervisory Board of HAWE S.A. is also Member of the Supervisory Board of the company Dom Maklerski IDM S.A. which acts as the market maker of the issuer HAWE S.A.

Changes in the composition of the Company's Management and Supervisory Boards:

Composition of the Management Board and the Supervisory Board of HAWE S.A. as at 1 January 2012:

Management Board:

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

Supervisory Board:

- | | |
|------------------|--|
| Waldemar Falenta | – Chairman of the Supervisory Board |
| Mariusz Pawlak | – Deputy-Chairman of the Supervisory Board |
| Wiesław Likus | – Member of the Supervisory Board |
| Dariusz Maciejuk | – Member of the Supervisory Board |
| Tomasz Misiak | – Member of the Supervisory Board |
| Lesław Podkański | – Member of the Supervisory Board |
| Qing Tian | – Member of the Supervisory Board |

On 4 April 2012, the General Shareholders' Meeting dismissed Mr. Mariusz Pawlak from the position of Member of the Supervisory Board.

Composition of the Management Board and the Supervisory Board of HAWE S.A. as at 30 June 2012 and as at the date of publication of this report:

Management Board:

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

Supervisory Board:

- | | |
|------------------|-------------------------------------|
| Waldemar Falenta | – Chairman of the Supervisory Board |
| Wiesław Likus | – Member of the Supervisory Board |
| Dariusz Maciejuk | – Member of the Supervisory Board |
| Tomasz Misiak | – Member of the Supervisory Board |
| Lesław Podkański | – Member of the Supervisory Board |
| Qing Tian | – Member of the Supervisory Board |

- 7. Proceedings pending before a court, arbitration authority or public administration authority, including information on:**
- a) Proceedings concerning the liabilities or receivables of the Issuer or its subsidiary whose value constitutes at least 10% of the Issuer's equity, including determination of the following: subject of the proceedings, value of the object of the dispute, date of instigation, parties to the proceedings and the Issuer's position;**
 - b) Two or more cases regarding liabilities and receivables whose total value corresponds to at least 10% of the Issuer's equity, including specification of the total value of the subject of the proceedings, separately for the liabilities and the receivables, as well as the Issuer's position in the case, and in respect of the key proceedings in the group of liabilities and receivables, including the subject of the proceedings, value of the object of the dispute, date of instigation and parties to the proceedings.**

In the first half of 2012 there were no proceedings before any court, arbitration authority or public administration authority in respect of liabilities or receivables of HAWE S.A. or its subsidiaries with a one-off or total value of at least 10% of the equity of the HAWE Capital Group.

- 8. One or many significant transactions executed by the Issuer or its subsidiary with related parties on non-arm's length terms excluding related party transactions executed by the Issuer who is a fund, including the value of such transaction; information on individual transactions can be grouped by transaction type with except when the information on individual transactions is crucial for the understanding of their impact on the economic and financial position of the Issuer and its profit or loss**

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

Related party transactions have been described in point 12 of the financial statements for the first half of 2012.

9. Credit/loan sureties or guarantees granted by the Issuer to one of its subsidiaries if their aggregate value corresponds to at least 10% of the Issuer's equity

The Capital Group's contingent liabilities have been described in point 12 of the financial statements for the first half of 2012.

10. Other information essential for assessing the Issuer's human resources, assets, financial position and performance as well as their changes and the Issuer's ability to meet its liabilities

Program of Redemption of Treasury Shares of HAWE S.A., Generali OFE becomes 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 of the financial statements for the first half of 2012. As at the date of publishing this report, HAWE Telekom Sp. z o.o., which held a power of attorney from the Management Board of HAWE S.A., 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 the Company's General Shareholders' Meeting.

The purpose of that 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.

Incentive Scheme for Key Executives

On 4 April 2012, the Ordinary General Shareholders' Meeting passed a resolution launching the Incentive Scheme for the Key Executives of the HAWE Capital Group, described in detail in point 1 of the financial statements for the first half of 2012. 1.

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 described in detail in point 1 of the financial statements for the first half of 2012, 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.

On 17 May 2012, HAWE Telekom Sp. z o.o. realized one of the goals of the Program of Redemption of Treasury Shares by selling 1,100,000 shares with a nominal 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. The shares were sold for PLN 3.00 each.

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, the Company 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 Kolej 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.

The Company's Extraordinary General Shareholders' Meeting convened to increase the Company's share capital among other things

After 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.

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 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.

Measures to secure repayment of the Capital Group's liabilities

In 2010 and 2011, the Capital group took up a number of steps to reduce the risk involved in the funding of a long-term investment in respect of construction of the HAWE

National Fiber Optic Network with a relatively long return on investment; the Capital Group issued debt securities, usually in the form of short-term (e.g. 1Y) bonds. As a result of the initiatives, the subsidiary HAWE Telekom Sp. z o.o. concluded the following agreements:

- A long-term investment loan with DnB NORD Polska S.A. of PLN 44 million (a detailed description of the agreement in point 29.2.3 to the consolidated financial statements for 2011);
- A long-term investment loan with Agencja Rozwoju Przemysłu S.A. of PLN 100 million (a detailed description of the agreement in point 29.2.4 to the consolidated financial statements for 2011).

The loan from ARP S.A. in connection with the bank loan from DnB NORD Polska S.A. allowed the Company to turn all its existing debt (mainly short-term liabilities) into long-term debt, which eliminated the aforementioned risk as a result. The aforesaid agreements ensured funding of Stage III of the investment.

11. Factors which, in the Issuer's opinion, will affect its performance at least during the next quarter

Acquisition of new customers by the subsidiary HAWE Telekom Sp. z o.o. for Internet provider bandwidth and data transmission services based on the new telecommunications infrastructure

The subsidiary has been signing agreements for 10-1000 Mb/s bandwidth for Internet providers and data transmission services with clients whose networks are situated within the new fiber optic network (Warsaw – Poznań – Szczecin – Gdańsk – Olsztyn – Suwałki – Białystok – Lublin – Zamość – Rzeszów – Tarnów – Kraków) on a regular basis. About 80 agreements for bandwidth and data transmission services have been signed with Internet providers until now. HAWE Telekom Sp. z o.o. anticipates gaining more customers in this segment.

Realization of Stage III of the HAWE National Fibre Optic Network

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 hand over the Kraków-Katowice section of the optic fiber infrastructure to HAWE Telekom Sp. z o.o. 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 – Gołędzkie;
- Sochaczew – Warszawa;
- Warsaw – Biała Podlaska – Terespol.

Realization of the aforesaid investment will mark the completion 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. started expanding the sections that have been used for providing services to other operators for many years. 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 first 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., Aero2Sp. 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 in the financial statements for future financial years. The growing number of new agreements signed reflects the growing need of fixed and mobile telephone operators and Internet and cable television providers for such this service.

Agreement executed by subsidiary HAWE Budownictwo Sp. z o.o. with Telefonía DIALOG S.A.

On 24 March 2011, the subsidiary HAWE Budownictwo Sp. z o.o. and concluded an agreement with Telefonía DIALOG S.A. for maintenance, repair and operation of the telecommunications infrastructure and a power grid in the following areas: Elbląg, Wrocław, Zielona Góra, Bielsko Biała, Jelenia Góra, Łódź, Lubin and Wałbrzych. The agreement has been concluded for three years; the estimated net revenue under the agreement will be PLN 30 million. This agreement is a confirmation of a growing demand for comprehensive services provided by HAWE Budownictwo to telecommunications operators. These initiatives are part of the strategy pursued by the HAWE Capital Group.

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 of the Lubuskie Regional Operational Program 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 is about PLN 22 million.

Cooperation 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 Regions. 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 closed 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.

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

After the end of the reporting period, 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 platform 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. All this will be achieved in compliance with the rules on public aid and competitive balance protection.

12. Major threats and risks in the following months of the financial year

RISK AREAS SPECIFIC TO THE COMPANY AND INDUSTRY

- COMPETITION RISK ON THE MARKET OF OPTICAL FIBER NETWORK SERVICES

As a result of the ever-growing market and an increase in the demand for broadband we have observed a growing interest in investments in the existing and establishment of new entities providing services in respect of construction, operation and leasing of optical fiber networks. Intensive work is underway on plans for development of the existing infrastructure of some domestic operators, e.g. Telekomunikacja Polska.

Moreover, Poland is a major transit route between Eastern and Western Europe, which makes it interesting for international operators who are building their transit networks in

Poland; it is therefore possible that these investments will result in new offerings based on optical fiber networks on the Polish market. Since cost calculation of construction of such infrastructure is usually based on the own needs of a given operator, one should expect that access to such infrastructure by other entities can be lower than the cost calculation may suggest. As network development investments can be very costly, in a situation when supply exceeds demand and taking into account the relative ease of increasing a network throughput, such investments can result in a failure.

- *RISK OF DETERIORATION IN MARKET CONDITIONS*

As regards internal financial projects, the Capital Group assumes that the prices of most services will remain stable and the Capital Group will gain new clients and sign new agreements. As a result, the Capital Group anticipates a significant growth in sales revenue and stable margins. If strong competitors enter the market, the Capital Group may have to reduce its profit margins to reach the anticipated number of new clients, realize the agreements and maintain the existing clients/subscribers.

- *NEED OF TECHNOLOGICAL CHANGES*

The Capital Group operates in the area of new technologies. Operation in such a fast-changing environment carries the risk of new services being launched by competitors which can decrease demand for the current products offered by the Capital Group. Should this happen, the Capital Group will not realize the sales figures as anticipated in the forecast.

Due to the development and changes in the technology, the Capital Group may have to incur additional expenditure to replace the existing infrastructure to match market the requirements dictated by the market.

- *RISK OF DETERIORATION IN PROFIT ON CONSTRUCTION ACTIVITIES*

The subsidiary HAWE S.A. provides telecommunications construction services to entities conducting activities in the areas where the Capital Group anticipates launching its own services. Consequently, there is a risk that those entities will choose not to support their competitors and will not award any construction contracts to the subsidiary or they will reduce cooperation with the subsidiary. This can result in a decrease in revenue from other activities related to construction of telecommunications networks.

- *RISK OF MATERIAL CAPITAL EXPENDITURES TO BE INCURRED*

In order to launch new services on the market, the Capital Group may have to incur significant capital expenditures, requiring the Capital Group to engage funds. Any underestimation of the capital expenditure required can cause the risk that more funding will be needed.

- *RISK OF FAILURE TO REALIZE SOME OF THE ELEMENTS OF THE STRATEGY*

In broadening the scope of its network construction and operator services and trying to win new customers on the international telecommunications market, the Capital Group will strive to pursue its strategy, although it cannot guarantee that the strategy will be fulfilled in its entirety. The new technology market on which the Capital Group operates, is subject to continuous changes, therefore the future position, revenue and income of the Capital Group depend on the extent of realization of the strategy and the Capital Group's ability to respond to change in a flexible manner. Making wrong decisions or mismatching the strategy and the changes on the market can result in a failure to meet the profit figures budgeted.

- *LIQUIDITY RISK*

The common phenomenon of late payment of liabilities to suppliers, which is also commonplace among the Company's and its subsidiaries' contractors, can result in payment backlogs, which can cause liquidity risk and problems with payment of liabilities on time.

- *RISK RESULTING FROM ISSUE OF SHORT-TERM DEBT SECURITIES TO FINANCE A LONG-TERM INVESTMENT*

The Capital Group funded the construction of the HAWE National Fiber Optic Network to a large extent by issuing debt securities, usually in the form of short-term (e.g. 1Y) bonds. The combination of the Capital Group's current liabilities resulting from debt securities issued and the long-term investment with a relatively long return on the funds invested in the construction could force the Capital Group to turn to other sources of financing its investments should the Investors' interest in the issue of the Capital Group's bonds weaken during the periods before material return on the investment takes place. In order to prolong the duration of external financing of the investments over the periods before the investment begins to bring expected return, the Capital Group has changes its sources of funding to long-term financing, mainly a long-term loan and an investment loan.

- *RISK RESULTING FROM CONSOLIDATION OF TELECOMMUNICATIONS MARKET PLAYERS*

The telecommunications market in Poland today displays a consolidation trend. Strong entities formed as a result of integration processes whose operations are based on the operating model of the HAWE Capital Group, can capture client markets, infrastructural, financial and HR resources. This will have a strong impact on the competitive position of the AWE Capital Group on the telecommunications market.

BUSINESS ENVIRONMENT RISK

- *RISK RESULTING FROM THE GENERAL MACROECONOMIC CONDITION OF POLAND*

To a large extent, the activities of the Capital Group depend on the macroeconomic situation in Poland. The results of operation of the companies in the HAWE Capital Group (mainly sales and revenues, investments, operating expenses, availability of external funding) are impacted by many external factors such as the economic growth rate, economic and financial crises, business investments, tax policy, rate of inflation and other factors. They can also have a strong impact on the financial result of the HAWE Capital Group and realization of its strategic goals. The condition of the telecommunications market has not deteriorated over the recent years and it favors investments in development of new technologies, including telecommunications networks. Nevertheless, we cannot discard the risk of deterioration in the overall economic situation which may affect the financial performance of the HAWE Capital Group.

- *LEGAL ENVIRONMENT RISK*

The provisions of law regulating operation of businesses in Poland are very unstable and pose many types of risk to the performance of the Capital Group. Changes in regulation can result in particular in an increase in statutory charges or investment costs of the Capital Group.

- *TAX POLICY RISK*

The instability of the tax system resulting from changes in regulations, incoherent interpretation of tax law, relatively new rules on taxation, highly formalized tax regulations and heavy penalties, contributes to a high degree of uncertainty as regards tax and business decisions. The wrong business decisions – in light of tax consequences and financial performance as a result of that – impede the efficiency of business entities which leads to a loss of competitiveness. In addition, local governments who try to maximize their own revenues, raise property taxes, including network tax, which can result in an increase in the Capital Group's own network operating expenses.

- *RISK IN RESPECT OF LENGTHINESS OF ADMINISTRATIVE PROCEDURE OF OBTAINING PERMISSION AND CONSTRUCTION PERMITS*

The subsidiary HAWE S.A. provides telecommunications construction services which require relevant permissions and permits. The provisions of law regulating the procedure of obtaining the relevant permissions and permits are usually lengthy, which can pose many kinds of risk to the performance of the Capital Group.

The lengthiness of administrative procedure puts construction deadlines in jeopardy, which in turn can result in contractual penalties and a drop in the profitability of given transactions.

- *RISK IN RESPECT OF LENGTHINESS OF PROCEDURE OF OBTAINING PERMISSION FROM REAL PROPERTY OWNERS OR REFUSAL TO GIVE PERMISSION TO ACCESS LAND TO CONSTRUCT AN OPTICAL FIBRE*

NETWORK

When designing and planning a route of an optical fiber network the subsidiaries of HAWE S.A. have to obtain written consent from the owners of the land where the network is to be built. In the absence of clear provisions regarding the terms and prices of that process, real property owners can use their own discretion in this respect.

As a consequence, an owner of a real property where an optical fiber network is to be constructed can do the following:

- give consent for construction for an excessive price;
- delay making a decision;
- refuse to make a given real property available for construction.

As a result of the aforesaid, investments are delayed or changes have to be made to the route of a network in a given section.

Jerzy Karney

Chairman of the Management
Board

Krzysztof Rybka –

Deputy Chairman of the
Management Board

Dariusz Jędrzejczyk –

Deputy-Chairman of the
Management Board