



**REPORT ON ACTIVITY OF  
THE SUPERVISORY BOARD OF HELIO S.A.  
IN THE BUSINESS YEAR 2013/2014**

By virtue of § 3 sec. 3 of the Regulations of the Supervisory Board of HELIO S.A. and art. 382 § 3 of the Commercial Companies Code, as well as being guided by a principle included in Chapter III item 1 of Good Practices of the Companies Quoted on Warsaw Stock Exchange, the Supervisory Board of HELIO S.A. with its registered premises in Wyględy, presents hereinafter the report in writing prepared by the Board concerning the business year 2013/2014 from 1 July 2013 up to 30 June 2014, composed of:

1. the report on activity of the Supervisory Board taking into consideration operation of the Board committees,
2. the brief assessment of the Company position, considering assessment system of internal audit and the system managing significant risk to the Company,
3. the opinion on the financial statement of HELIO S.A., the report on activity of the Management Board of HELIO S.A. for the business year 2013/2014, as well as the decision by the Company Management Board on way of division of the net profit of HELIO S.A. for the business year 2013/2014.

## **1. Report on activity of the Supervisory Board taking into consideration operation of the Board committees, including assessment of such committees operation**

The financial year 2013/2014 saw both the first and second term of office of the Supervisory Board. The members of the Supervisory Board in the second five-year term were appointed by Resolution of the Annual General Meeting on 16/12/2011. On 10 March 2012, at the first meeting of the second term of the Supervisory Board, its members met selected from among themselves Mr Jacek Kosiński as Chairman of the Supervisory Board and Mr Adam Wąsowicz as Vice-Chairman of the Supervisory Board.

Therefore, the composition of the Supervisory Board in the financial year 2013/2014 was as follows:

<b>Name</b>	<b>Position</b>
Jacek Kosiński	Chairman of the Supervisory Board
Adam Wąsowicz	Vice-Chairman of the Supervisory Board
Irena Gałań-Stelmaszczuk	Member of the Supervisory Board
Grzegorz Kowalik	Member of the Supervisory Board
Radosław Turski	Member of the Supervisory Board

The Supervisory Board of HELIO S.A. acts pursuant to generally applicable legal regulations, the Articles of Association and the Supervisory Board Regulations. Because of a relatively small size of the enterprise and having regard to the fact that the Supervisory Board consists of the minimum number of members required by law, no committees have been selected from among its members. The tasks of the auditing committee have been entrusted with the Supervisory Board, which was reflected in a corresponding resolution of the General Meeting of HELIO S.A. of 16/12/2011. Therefore, in the financial year 2013/2014, the tasks of the committee were performed by all members of the Supervisory Board according to the needs.

In the reporting year 2013/2014, the Supervisory Board held three meetings. All members participated in those meetings. During the meetings, the Supervisory Board conducted periodical analyses of financial results obtained by the Company and the financial forecasts prepared by the Management Board for the Company's internal purposes. In the past year, the Supervisory Board also dealt with monitoring the Company's current condition, the market condition and their expected development. The Supervisory Board successfully cooperated with the Company's Management Board on an ongoing basis. Owing to their professional experience, in their relations with the Management Board members of the Supervisory Board strived to continuously provide the

Management Board with professional advice, which positively influenced the ongoing monitoring of the Company's operations by the Supervisory Board.

During the meetings held in the business year 2013/2014, the Supervisory Board also revised internal control and risk management systems and concluded that the Company properly identified, managed and revealed the key risks and, therefore, there was no need to introduce a separate internal audit function into the HELIO S.A.'s structure. Furthermore, the Supervisory Board positively evaluated the efficiency of the external control process, including the independence and objectivity of the external certified auditor cooperating with the Company. As part of their obligations, the Supervisory Board also conducted the annual verification of the Management Board's members' remunerations and a positive assessment of the financial statements and the Management Board's report on activities in the business year 2012/2013 as well as a positive recommendation to the General Meeting regarding the Management Board's motion on the distribution of profits.

## **2. Brief assessment of the Company position, considering assessment system of internal audit and the system managing significant risk to the Company**

The Supervisory Board has positively evaluated the Company's condition with respect to its stable market position, operational tasks and its development perspectives. According to the assumptions, in the financial year 2013/2014 the Company managed to exceed the level of PLN 100 million of sales revenue, while similar to last year's net profit. Despite lower than last year sales profitability, the Supervisory Board deemed achieved results positively, because they have been obtained under unfavorable market conditions, including, in particular, an increase in raw-materials prices and strong pricing pressures in the branch. Below is a summary of the dynamic rate of the basic financial parameters.

<b>Selected financial data</b>	<b>Financial year 2012/2013 (in thousand PLN)</b>	<b>Financial year 2013/2014 (in thousand PLN)</b>	<b>Growth rate</b>
Net revenue from sales	98.744	104.239	+6%
EBITDA	8.097	7.062	-13%
Operating profit	6.186	5.152	-17%
Gross profit	5.031	4.911	-2%
Net profit	4.050	3.949	-2%

Selected financial ratios	(%)	(%)	
Return on sales (net profit/ revenue from sales x 100%)	4,1	3,8	-7%
Return on assets (net profits/total assets x 100%)	6,5	5,8	-11%
Overall debt ratio (total liabilities / total assets x 100%)	27,8	28,4	+2%

In the opinion of the Supervisory Board, the measures taken by the Management Board were carried out with full commitment and good regular assessment of situation on the market. In spite of unfavourable external factors occurring in the last year, the Issuer has managed to deepen the penetration of the traditional channel and to maintain a leading position on the domestic market of dried nuts and fruit. The company also has improved operational efficiency and reduced financial costs, which at the net level, reduced the disadvantages arising from the difficult situation in the branch, including the decline in sales profitability .

Considering the above, it is the Supervisory Board's opinion that in the business year 2013/2014 the Company consistently and effectively implemented the adopted development strategy. Thus, HELIO S.A. is currently one of the largest producers of dried nuts and fruit and mass for cakes in Poland. The Company has signed cooperation agreements with the largest retailers and distributors in Poland, and with well-developed trade structures it has systematically increased its sales through the traditional channel. To conclude the Issuer's achievements in the past year, the Supervisory Board has positively evaluated the implemented and planned elements of the Company's development strategy presented by the Management Board in their Report on activities of HELIO S.A. in the business year 2013/2014. In the opinion of the Supervisory Board, awareness of the existing risks, and implementation of assumptions adopted by the Management Board should ensure the Company's further growth in future.

#### Assessment of the internal audit system

The Supervisory Board carries out periodical reviews of the internal audit system. Though a unit liable for internal audit is not arranged, in the opinion of the Board the internal audit system as praiseworthy. At the same time, the Supervisory Board accords with the Management Board's opinion, that considering relatively small size and a simple organizational structure of the Company, establishing additional audit section is not justifiable. As, it would involve occurrence of additional, significant costs.

Taking the above into consideration, function of internal audit is included into scope of responsibilities of heads of particular organizational units. The Management Board monitors correctness of fulfilment of audit functions. Within the system there operate also other supplementary procedures, established among the others, in order to examine incurred costs/expenses, to ensure correctness of manufacturing processes, or suitable communication/information circulation in the Company. Elimination of redundant costs is ensured for example through the system of acknowledgements required on various decisive levels before placing orders, or making payments. Correctness of manufacturing process operation, beside Production Chiefs is inspected by the Quality Control Department established under implemented standards of the BRC and HACCP system, as well as yearly external audit. Procedure to prepare financial statements and other reports is based on suitable job organization, including the scope of reporting defined in details, circulation of confidential data and transparent division of responsibilities provided for all participants in the process. The Company holds accounting books in computer system, access to computer resources is restricted with qualifications assigned to authorized employees.

#### Assessment of managing system of risk significant to the Company

The Supervisory Board executes periodical reviews of the system managing risk significant to the Company and on such base the Board provided the affirmative assessment. Considering the volume of conducted activity, in the Company there is lack of separated unit responsible for managing the risk, the tasks of such unit are fulfilled directly by the Management Board, defining particular areas of risk and coming involved in monitoring of the risks. In the opinion of the Supervisory Board, within the scope of conducted policy of managing the risk, the areas of risk have been identified correctly and in exhaustive way. At the same time, the Board provides positive opinion on the Company's actions purposing to minimize the risks in concern.

### **3. Opinion on the financial statement of HELIO S.A., the report on activity of the Management Board of HELIO S.A. for the business year 2013/2014, as well as the decision by the Company Management Board on way of division of the net profit of HELIO S.A. for the business year 2013/2014**

After getting acquainted with the contents of the Company financial statement for the financial year 2013/2014 as well as the report of the Management Board on the Company's activity for the business year 2013/2014, and the opinion and the report of the expert auditor performing examination/audit of

the financial statements, the Supervisory Board states that the referred statements have been prepared in compliance with the books and documents, the regulations in force, and in a way reflecting firmly the real position of the Company.

The Supervisory Board, taking into consideration the further development of the Company, including the increasing demand for the working capital resulting from the increasing scale of the enterprise economic activity, considers as the justifiable the proposal of the Company's Management Board on assigning the entire amount of the net profit gained by the Company in the business year 2013/2014 amounting to PLN 3 948 647.66 against the supplementary capital of the Company.

Taking the above into consideration the Supervisory Board recommends the Annual General Meeting of the Shareholders:

- a. to approve the Company financial statement for the business year 2013/2014,
- b. to approve the report of the Management Board on the Company's activity for the business year 2013/2014,
- c. to accept the proposal of Management Board relating to purpose the net profit gained by the Company in the 2013/2014 business year amounting to PLN 3 948 647.66 against the supplementary capital of the Company,
- d. to give the vote of acceptance to the members of the Company Management Board for accomplishing their duties in the business year 2013/2014.

Wyględy, 8 November 2014

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Jacek Kosiński  
Chairperson of the Supervisory Board

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Adam Wąsowicz  
Deputy Chairperson of the Supervisory Board

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Irena Gałan-Stelmaszczuk  
Member of the Supervisory Board

.....  
Grzegorz Kowalik  
Member of the Supervisory Board

.....  
Radosław Turski  
Member of the Supervisory Board