



**HALF-YEARLY REPORT OF THE MANAGEMENT  
BOARD**

**ON THE ACTIVITIES OF HELIO S.A.**

for the period from 1 July 2007 to 31 December 2007

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## **1. The rules of drawing up the annual report on the Management Board activity**

The presented report on the Company Management Board activity for the first half of the year business year 2007/2008 has been drawn up under the Accounting Act of 29 September 1994 as amended and under The Regulation of the Minister of Finance of 19 October 2005 on current and interim reports published by issuers of securities.

In the current business year the Company did not change the rules of specifying the value of assets and liabilities and financial result survey in relation to the rules adopted in the report for the previous business year.

According with the Company statutes the business year of HELIO S.A shall begin on 1 July and end on 30 June. It shall be reminded that due to the fact that the legal predecessor of the Issuer made a decision to change the business year (from the business year equal to the calendar year for the business year ending on 30 June of each year) and in compliance with the definition of the business year included in art. 3 section 1 item 9 of the Accounting Act of 29 September 1994 stating that in case of the change of the business year the first business year after the change shall be longer than 12 following months, **the previous business year in the Company, being the legal successor of "PH BONA" Sp. z o.o. comprised the period of 18 months, i.e. from 1 January 2006 to 30 June 2007, that is 6 months longer than the current business year.**

Having in regard that the current business year comprises a 12-month period, i.e. it is 6 months shorter than the previous business year, and also due to the impact of the seasonability and cyclical performance of the Issuer's activities, in order to assure the comparability of financial data for the first half of the current business year, the analogical calendar period of the previous business year, i.e. the period from 1 July 2006 to 31 December 2006 has been recognized as the comparable period.

The currency used in drawing up this report is PLN (the Polish Zloty).

The Company does not draw up any consolidated financial report.

## **2. The basic information about the Company**

Name (company)	HELIO Spółka Akcyjna (former "PH BONA" Sp. z o.o.)
Legal form:	Spółka Akcyjna ≈ [a joint stock company]
Country of company premises:	Poland
Premises:	Wyględy
Address:	ul. Stołeczna 26, 05-083 Zaborów Poland
Telephone:	022 7963196
Telefax:	022 7520921
e-mail:	<a href="mailto:helio@helio.pl">helio@helio.pl</a>
WWW address	<a href="http://www.helio.pl">www.helio.pl</a>

The Company is represented by:

- Leszek Wąsowicz – President of the Management Board
- Justyna Wąsowicz – Vice President of the Management Board

HELIO S.A. was established under notary deed of 18 July 2006 due to the transformation of "PH BONA" Sp. z o.o. to HELIO S.A. On 25 August 2006 the Company was entered into the Register of Entrepreneurs run by the District Court for the capital city of Warsaw, 14<sup>th</sup> Economic Department of the National Court Register in Warsaw, under KRS number: 0000262514.

The Company's legal predecessor ran the activity from 15 August 2003 to 24 August 2006 as a public limited company. It is of particular significance that Mr. Leszek Wąsowicz ran the activity consisted in processing and distribution of nuts and dried fruits as early as from 1992, at first as a civil partnership and since 1993 as a natural person running an economic activity. In 2003 the Company run by Mr. Leszek Wąsowicz (interpreting art. 55<sup>1</sup> of the Civil Code) was implemented as an apport to "PH BONA" Sp. z o.o. Therefore the beginnings of the activity of HELIO date back to 1992 when BONA, the civil partnership, started its activity. Currently the field of activity of HELIO S.A is importing and processing of nuts and dried fruits, manufacturing poppy-seed products and distributing of products. Practically the total sale of the company is directed to the domestic wholesale and retail market. Year by year the Company launches into the market a few of new products in scope of nuts and dried fruits.

The Company's premises are located in Wyględy, 26 Stołeczna Street, this is also the place where the manufacturing plant is located. The second plant is situated in Feliksów, 121 Stołeczna Street. Both locations are situated on Warsaw – Sochaczew route in the distance of 20 kilometres from downtown Warsaw and about 10 kilometres from Warsaw – Poznan transit route.

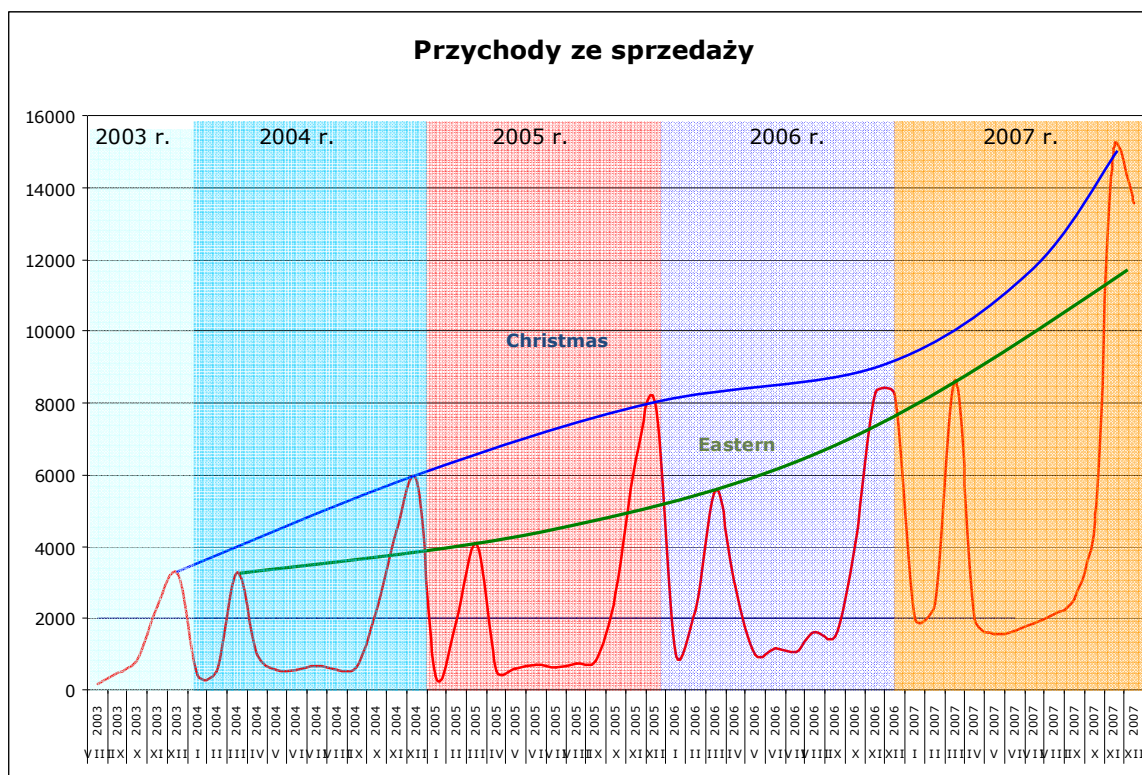
The share capital of the Company amounts to PLN 2,500,000 and is divided into 5,000,000 ordinary bearer shares.

**3. Discussion of the basic economic and financial values, revealed in the half-yearly financial report and in particular the description of the factors and events, also of a non-standard nature, having a significant influence on the Company's activity and the profits or losses attained during the business year as well as the discussion of the development perspectives of the Company activity at least in the following half-year**

The factors influencing the activity of the Company in the current business year

The activity development strategy, adopted in 1992, turned out to be justified, what was confirmed by significant incomes dynamics obtained by the Company in each following year regardless of the change of legal form. Thanks to the growing demand for the products, in the offer there were consequently expanded the production capacity which resulted in continuous dynamic increase in the incomes. In the first half of business year 2007/2008 the Company reached the peak incomes from sale in the six months period, which amounted to PLN 39,852,000 that is over 61% increase in comparison to the previous business year. With respect to the seasonal nature of sale, characteristic for the Issuer's sector, it would be convenient to illustrate the company development by specifying the incomes from sale in corresponding months of particular years of the Company's activity (Figure 1). Together with an increase in sales the Company observed an increase in profits. In the first half of business year 2007/2008 the Company generated a net profit that amounted to PLN 3,316,000.00 that is 60% increase in comparison to the previous business year..

Figure 1: The dynamics of the Company's incomes with the illustration of the calendar years (in thousand PLN)



Source: the Management Board of HELIO S.A.

In the half-year of the business year under discussion the major factors which influenced the obtained results were above all:

- gaining new clients in the traditional channel (wholesale distributors) as well as in the modern distribution channel (the chain of supermarkets),
- the reinforcement of good relations with the current major clients of the Company which resulted in the increased volume of deliveries,
- an increase in the trade chain with which the Issuer has cooperated until now which contributed to an increased number of transactions with those chains,
- the intensification of the marketing activities carried out in this period, directed both to the final clients and to the suppliers,
- restructuring of the remuneration and employment system.

The dynamic increase of the scale of the company activity causes a systematic employment increase in the Company. In order to avoid the difficulties of completing the production personnel for the period of increased activity (September 2007 – April 2008), at the beginning of the business year the Issuer had to apply the intensification of activities in the field of managing of human resources. The adverse situation on the domestic market, which affects the employers, caused the necessity to increase the additional cost of remuneration as well as to increase the number of employees employed on the production stands under the employment

agreement. The resignation of current employees would determine a significant employment fluctuation, connected with the long-lasting process of recruitment and implementation of the newly-employed persons, what would undoubtedly be reflected in a decrease in the activity effectiveness of the Company in the key period of preparing for the peak Christmas sale. In comparison to the same period of the last business year the average amount of persons employed under the employment agreement and taking into account the persons working under contracts of employment, the average employment increased by 33%.

Table 1: *The average employment in the Company*

<b>Business year</b>	<b>The average number of the employees</b>
July – December 2006	78
July – December 2007	104

Source: the Management Board of HELIO S.A

From the factors of the macroeconomic scale influencing the financial results of the Company, worthy of note is the increase in the economic situation which has been recorded in Poland. The general improvement of the economic situation of the households influenced the changes in the standard shopping basket of the average consumer who spends larger and larger part of his income on luxurious goods including healthy and ecological food. Therefore, Poles more and more often buy nuts and dried fruits as a substitute for popular snacks, such as potato chips, salted sticks or chocolate bars. Because of the lower consumption of nuts and dried fruits per person in comparison with the countries of West Europe it is estimated that the market will increase in the coming year by 5-6% annually.

### The perspectives of development

During at least one next business year, the Company intends to continue the adopted growth strategy. The basic assumptions of the adopted and consequently carried out medium-term strategy of the Issuer is to strengthen the Company's position on the nuts and dried fruits market and to process low-processed food, which owing to our experience, shall be reflected in the significant increase of the Company' share on the national market. The long-term strategy assumes also the introduction via the modern distribution channels of the current products into the international markets, including the markets of the countries of similar culture and traditions and the markets of the *old* countries of the European Union, where in comparison with the Polish market, ecological products have a considerably higher share in the consumer's shopping basket. However a great demand for Company's products makes that HELIO have to concentrate only to the polish market now.

Having in regard a seasonal character of the Issuer's sector, as well as the exceptionally early date of this year's Easter (the second half of March), the entire pre-holiday sales will be carried out in the period of the 3<sup>rd</sup> quarter of the year (January – March 2008). A short period between the past Christmas sales peak and the oncoming Easter season means also that the Company will be able to realize the profits from the previously incurred expenditures on development.



#### **4. Description of the significant risk and threat factors with specification to what extent the issuer is exposed to them.**

##### Risk related with the competition

The Company is exposed to competition of other entities functioning on the market of retail sale of nuts and dried fruits. The market of nuts and dried fruits in Poland is characteristic of a significantly scattered structure. On the Polish market there are present several companies with nationwide range as well as smaller local entities. The competition may lead to the decrease in the margins obtained in sale or in extreme case to the partial loss of clients. In order to eliminate this risk, the Company pursues the activities designed to strengthen the strong market position through delivering the high quality products, building the brand familiarity, adjusting the trade offer to the needs of the clients as well as through the constant expanding of the range of products.

##### The risk of fluctuations of the prices of the raw materials

HELIO S.A. is a commercial company of crude foodstuffs and is exposed to the risk of price fluctuations. Periodically those fluctuations may affect the proportion of the margins of sale obtained by the Company. The level of the prices of the crude foodstuffs is affected by the factors beyond the control of the Company, such as: the size of crops in a given year, climatic conditions affecting the quality and accessibility of the raw materials of required quality. In order to retain the high current profitability of sale, owing to the experienced personnel, the Company will try to relatively earlier react to the prevailing market situation, above all including: to increase the stock of raw materials whose price is going to increase and to adequately early renegotiate with the clients the prices of products in the offer.

##### The risk of foreign currency exchange rates

Due to the fact that the Company imports directly from the countries of origin a part of the raw materials necessary to prepare the products, the rate of the foreign currencies may influence the Company's financial results. In order to avoid the negative influence of the foreign currency exchange rates on the financial results, the Company currently monitors the currency market by adopting proper measures.

##### The risk of seasonality of sale and inventories

In the Company's activity there occurs the tendency of a significant seasonality of sale. The highest sale of nuts and dried fruits falls in the period before Christmas and Easter. The sale of nuts and dried fruits is the lowest in the summer time due to the level of accessibility of fresh fruits which in this period constitute competitive goods. At the same time, preparing to the period of increased sale, the Company purchases nuts and dried fruits in the period when the sale is the lowest.

### The risk related with the globalization on the market of the major clients

The phenomenon of the fusion of the major global super- and hypermarkets chains causes the changes on the market of the Company's clients. This phenomenon causes the lack of possibility of the risk diversification by the clients. In general the fused chains aim at the centralization of the purchase and more frequently the suppliers cooperating with the chain which was the overtaking chain are chosen. As for the diversification of the suppliers the Company possesses agreements concluded with the majority of market chains functioning in Poland and tries to reach more and more smaller shops. It is worthwhile to note that this risk is also an opportunity to increase the Company's turnover. The retaining of the current key clients is related with their increased demand for the products resulting from the growing scale of their activity.

### The risk of losing the key employees

The key employees constitute the significant value of the Issuer. Their loss could negatively influence the relations with major clients and suppliers. The employing of the new specialists would be connected with a long-lasting recruitment process as well as the implementation of the newly-employed persons, which in turn would delay the date of achieving the expected efficiency, therefore, the Company undertakes a series of activities from the scope of the managing of the human resources, including above all adjusting the remuneration level to the situation on the labour market, and the increasing of the number of persons employed on a yearly basis under the employment agreement.

### The risk of major shareholders influencing the decisions of the Company's bodies

After the issuing of the Series B Shares, the share of the dominant shareholder, Mr. Leszek Wąsowicz, in the total number of votes at the general meeting amounts to over 77%. A significant share in the total number of votes provides him with the factual control over decisions made in the Company and limits the influence of the new shareholder. Furthermore, Mr. Leszek Wąsowicz, the Management Board President, is the entity dominating the Issuer under the Act of the Offer. Mr. Leszek Wąsowicz, the President of the Management Board, owes directly 3,857,000 of the Issuer's Series A shares which currently entitle to 3,857,000 of votes at the Issuer's General Meeting which constitutes 77.1% of the share in the share capital and votes at the Issuer's General Meeting.

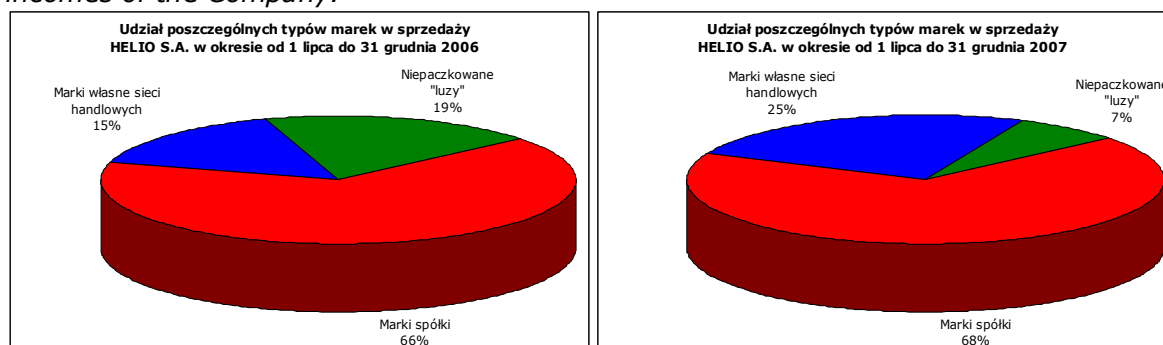
## **5. Information about the basic products, goods and services with the specification of their value, amount and the share of particular products, goods and services (if significant) or their groups in the sale of the Company in general and in changes in this respect in a particular business year.**

Import and processing of nuts and dried fruits, manufacturing of poppy-seed products and distribution thereof are the field of activity of HELIO S.A. The

Company offers the products under the Company's brands: "HELIO", "Słoneczne Owoce" and "Bona". The Company offers the nuts and dried fruits also in the form of mixes such as: fruit mix, student mix, nut mix and nuts and dried fruits mix.

Thanks to the possibility of flexible approach to the client's expectations as well as to the manufacturing of products in compliance with the client's suggestions and needs, HELIO S.A. sells products also under the own brands of super- and hypermarkets as well as in the wholesale packs designed to bulk sale. Despite the fact that the tradition of buying by weight is still quite popular in Poland, this method of sale is systematically ousted by the pre-packed products and in particular by those which combine the functionality of a pack with the bargain price of the goods bought in bulk. Figure 2 presents the share in the sale of the pre-packed nuts and dried fruits under different brands.

Figure 2. The share of the pre-packed nuts and dried fruits brands in the obtained sale incomes of the Company.



(The share of the particular types of brands in the sale of HELIO S.A. from 01.07.2006 to 31.12.2006: Own brands of the trade chains 15%; Unpacked "in bulk" 19%; The Company's brands 66%  
The share of the particular types of brands in the sale of HELIO S.A. from 01.07.2007 to 31.12.2007: Own brands of the trade chains 25%, Unpacked "in bulk" 7%, The Company's brands 68%)

Source: the Management Board of HELIO S.A

Comparing the above mentioned data, one may observe a visible decline in the share in the sale of unpacked nuts and dried fruits (-12%) to the benefit of the share of brands of own trade chains (+10%) as well as the Company's brands (+2%). The changes that arose in the structure of sale are therefore beneficial for the Issuer, since there increased the share in the pre-packed nuts and dried fruits the sale of which is more profitable.

For several years the Company's flag assortment has been the products from the range of poppy-seed fillings. In this sector the Company is undoubtedly the leader of the market (according to MEMRB, the sale of HELIO constitutes 63% of the market of poppy-seed fillings as far as quantity is concerned – Figure 4). Thanks to the activities undertaken, the HELIO poppy-seed fillings are very popular and recognizable. Observing their strong potential and particularly a growing demand for the products of the highest quality, the Company completed its offer with the poppy-seed filling with PREMIUM canned nuts and dried fruits.

Besides the poppy-seed products the Company's offer includes the following groups of nuts and dried fruits:

nuts:

- ✓ walnuts
- ✓ hazelnuts
- ✓ pistachio nuts
- ✓ peanuts
- ✓ cashews
- ✓ almonds
- ✓ blanched almonds
- ✓ minced almonds
- ✓ almond flakes
- ✓ desiccated coconuts

grains and seeds:

- ✓ sunflower
- ✓ pumpkin
- ✓ poppy
- ✓ sesame
- ✓ corn (popcorn)

Dried fruits<sup>1</sup>:

- ✓ raisins
- ✓ dried apricot
- ✓ California plums
- ✓ dates
- ✓ figs
- ✓ banana chips
- ✓ orange zest
- ✓ cranberries
- ✓ papaya
- ✓ candied orange zest
- ✓ candied pineapple
- ✓ pineapple in syrup
- ✓ peaches in syrup

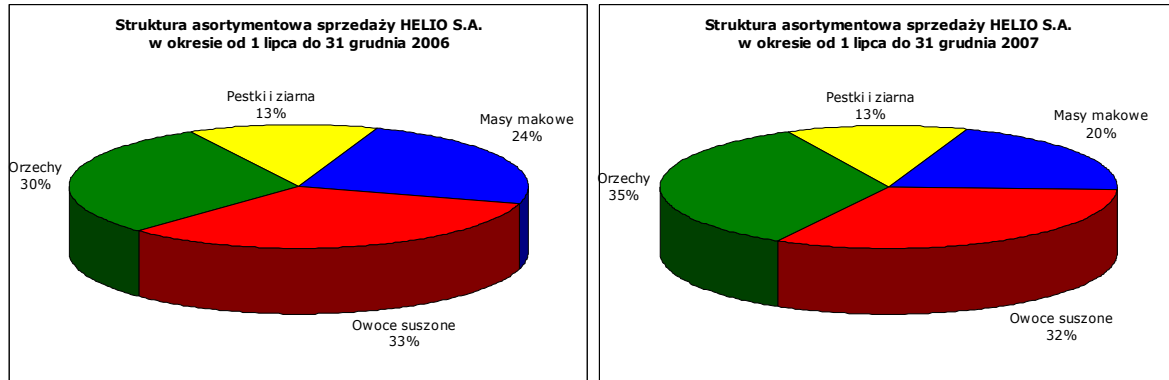
Among the new products appearing in the Company's offer it is worthwhile to note the assortment of nuts and dried fruits of Sunny Fruits [Słoneczne Owoce] which was extended in the last months of the calendar year 2007 and supplemented with traditional weights of 70-250g. The assortment of nuts and dried fruits was enriched by less popular products. Among those worthy of note are dried cranberries as well as exceptionally sweet and delicate Corinthian style raisins [koryntki], which so far have not been available in Poland. Thanks to attractive packaging, the highest product quality and marketing support, the Company establishes a new and good image of Sunny Fruits [Słoneczne Owoce].

Considering the assortment structure of the sales, it is not subject to any significant changes in relation to the previous analogical period. Nuts and dried fruits still belong to the assortment generating the largest revenues while seeds and grains still remain the products with the least share. It is worth noting that despite the poppy fillings are characteristic of the highest seasonal incidence, they by far consists a crucial position in the revenues generated by the Issuer.

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<sup>1</sup> Dried fruits and others (including candied fruits, fruits in syrup or in pickled)

Figure 3. The assortment structure of the revenues from sales



(The assortment structure of HELIO S.A. from 1 July to 31 December 2006: nuts 30%; seeds and grains 13%; poppy-seed fillings 24%; dried fruits 33%)

The assortment structure of HELIO S.A. from 1 July to 31 December 2007: nuts 35%; seeds and grains 13%; poppy-seed fillings 20%; dried fruits 32%)

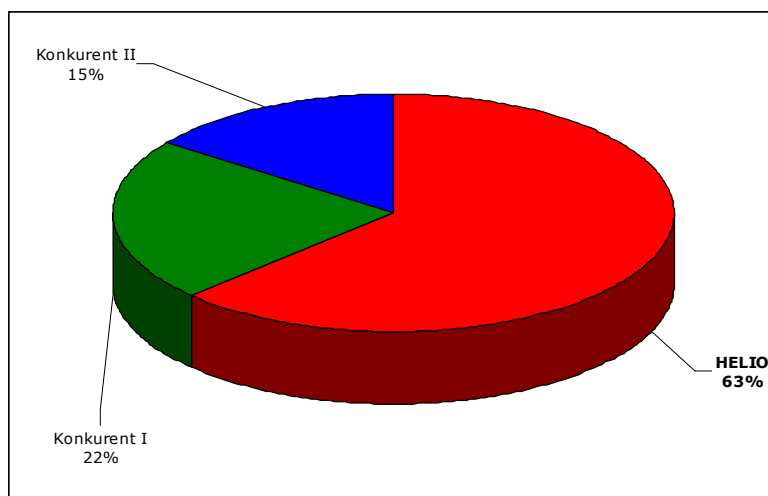
Source: the Management Board of HELIO S.A

**6. Information about the markets with respect to the division into the domestic and foreign markets and the information about the supply sources of production materials, goods and services specifying the dependence on one or more buyers and suppliers, and in case when the share of one buyer or supplier amounts at least to 10% of revenue from the sale in total – the names (of the companies) of the supplier or buyer, its share in sale or supply as well as its formal relations with the issuer**

#### Clients

The Company is a recognized and priced supplier in all distribution channels. Within the period under discussion the Company retained its position of the leader among the manufacturers of poppy-seed fillings (Figure 4) as well as the position of one of the heading companies on the nuts and dried fruits market.

Figure 4. The quantitative share in the sale of poppy-seed fillings in Poland in the period from July to December 2007



Source: MEMRB International Poland Polskie Biuro Badań Marketingowych Sp. z o.o.

The Company is active nationwide and its products are sold in the majority of trade chains as well as in smaller shops which are serviced by merchants and foodstuff warehouses. The biggest share in the Company's sale is represented by super- and hypermarkets, what nowadays is characteristic for the whole nuts and dried fruits market, where the significant part of sale takes place under the own brands of super- and hypermarkets.

The typical tendency for the whole FMCG market is also a change of the distribution form. Big hypermarket chains and discount shops are more and more significant. This phenomenon is strengthened by the merging tendency of the major global super- and hypermarket chains which results in changes on the market of the Company's consumers. The share in the sales to super- and hypermarkets in the revenues of the Issuer's sales amounts to c. 90%. In order to limit the dependence on the individual clients, the Company concluded agreements with the major worldwide trade chains operating in Poland. The major clients purchasing the Issuer's products in the current business year were as follows: Auchan, Carrefour, JMD „Biedronka”, Kaufland, Real and Tesco.

### Suppliers

The Company has not concluded any long-term agreements with the suppliers. The goods are bought in accordance with current needs and agreements with the suppliers are concluded for a specific delivery of goods. During the current period the Issuer has increased own import thus diversifying the supply sources. Owing to such a solution the Company is not dependent on its major suppliers.

**7. Information about concluded agreements relevant to the activities of the issuer including the agreements which are familiar to the issuer and which have been concluded between the shareholders (co-partners), insurance, partnership or cooperation agreements**

HELIO S.A. is a party in several commercial agreements with the clients on the basis of which it is obliged to deliver the own manufactured products, whereas the clients, representing the trade chains vested with large-space markets as well as being smaller entrepreneurs, are obliged to purchase those products and their further resale. The agreements do not specify the size of the purchase to which the Issuer's contracting parties are obliged. The agreements concluded with the contracting parties with whom the sales for the last year increased by 10% of the total Company's sale were denoted as significant among the agreements concluded with the clients, or this level is estimated to be achieved within the nearest year. These are the agreements concluded with six companies representing big trade chains assuming the sale of the Company's products both under its own brand and the client's brand depending on the provisions of the particular agreement. The cooperation terms do not diverge from the terms commonly applied in this kind of agreements.

The Company annually renews the insurance agreements on the grounds of:

- civil liability arising out of the running of the activity and possessing property and placing the product on the market,
- insuring the property against theft burglary and robbery, devastation, fire and other fortuitous events,
- insurance of electronic equipment against all risks,
- transport insurance of the Company's car fleet.

Within the actual period the Company was a significant part from the perspective of the Issuer's activity in the credit agreements. In order to avoid repeating the information, these agreements were presented in point 10 of this report.

**8. Information about the organizational or financial relations of the issuer with other entities and the specification of its main domestic and foreign investments (securities, financial instruments, intangible fixed assets as well as real estate), including capital investments carried out beyond its affiliated entities group and the description of the method of their financing**

In the first half of the business year 2007/2008 the Company did not perform capital investments. The Company has developed its production infrastructure by introducing two modern machines that allowed to increase the capacity and lower the manufacturing costs. Moreover the Company has developed its car fleet and has purchased 3 fork-lift trucks.

Table 2: Investment expenditure of HELIO S.A. in the first half of business year 2007/2008

Specification	Financing sources	
	Expenses – own means (in PLN thousand)	Expenses – leasing/credit (in PLN thousand)
Lands and the right of perpetual usufruct	-	-
Buildings and offices	-	-
Machines and devices	44	-
Vehicles	250	-
Equipment	3	-
Capital investments	-	-

Source: the Management Board of HELIO S.A

The Company does not have either organizational or capital relations with other entities.

**9. Description of transactions with affiliated entities provided that a single or total value of transactions concluded by a particular affiliated entity in the period from the beginning of the business year exceeds the amount of EUR 500,000.00 expressed in PLN**

In the period under discussion, HELIO S.A. did not realize any transactions with an affiliated entity of a total value exceeding the amount of EUR 500,000.00.

**10. Information about the incurred credits, loan agreements with respect to their maturity dates and about granted securities and guarantees**

Within the first half of business year 2007/2008, the Company was not granted any securities and guarantees. Within this period the Company was a party in the following credit agreements. All agreements were concluded between the Issuer (the debtor) and Bank BPH S.A. with its registered office in Cracow (the Bank).

- Investment Credit Agreement concluded on 6 September 2005 – the Bank granted the Debtor the investment credit in the amount of PLN 720,000 with its appropriation to finance and refinance 80% of the costs of building of the warehouse for finished products. The crediting period: till 30 June 2006.
- Multi-purpose multi-currency credit line agreement concluded on 27 July 2004 annexed on 1 September 2006 - Bank granted the credit to the Debtor in the form of a multi-purpose multi-currency credit line up to the equivalent of PLN1,700,000 allowing the use of a sublimit of the credit up to the equivalent of 1,500,000 with its appropriation to finance the current activity of the Debtor, as well as the use of a sublimit up to the amount of PLN 200,000 with its appropriation to compensate the credit and market risk incurred by the Bank as a result of concluding a financial market transaction



on the basis and under the terms specified in a separate agreement. The crediting period: till 31 August 2007.

- Multi-purpose multi-currency credit line agreement concluded on 6 September 2007- the Bank granted the credit to the Debtor in the form of a *HELIO S.A* multi-purpose multi-currency credit line up to the equivalent of PLN 12,700,000 allowing the use of a sublimit of the credit up to the equivalent of PLN 12,500,000 with its appropriation to finance the current activity of the Debtor, as well as the use of a sublimit up to the amount of PLN 200,000 PLN its appropriation to compensate the credit and market risk incurred by the Bank as a result of concluding the financial market transaction on the basis and under the terms specified in other agreement. Crediting period: till 31 August 2008.

**11. Information about the granted credits with respect to their maturity dates and about provided securities and guarantees taking into particular consideration the loans, securities and guarantees granted to the issuer's affiliated entities.**

In the period under discussion, HELIO S.A. did not grant any loan, security or guarantee.

**12. Description of the application by the issuer of the revenues from the issue**

Since obtaining the means from the issue, in compliance with the purposes presented in the prospectus, part of the assets was allocated to the Company's floating capital and the unused part of the assets was located in safe financial instruments, i.e. bank deposits.

**13. The position of the Management Board in relation to the possibility of accomplishing the previously published forecasts of financial results for the given year in the light of the results presented in the half-yearly report in relation to the forecasted results.**

In the Issuing Prospectus of HELIO S.A. published on 21 March 2007 the Management Board presented the forecast of financial results of the Company for the business year 2007/2008 lasting from 1 July 2007 to 30 June 2008. The results achieved within half-year of the current business year prove the appropriateness of the adopted assumptions.

Table 3. Financial result forecast for the business year 2007/2008 (in thousand PLN)

Specification	Forecast for the period from 01 July 2007 to 30 June 2008
Revenues from sales	50,000
EBITDA	5,480
Gross profit	4,445
Net profit	3,600

Source: the Management Board of HELIO S.A

**14. Evaluation with justification regarding the Management Board of the financial resources with particular respect to the capability to meet incurred commitments and the specification of possible threats and actions which the issuer has undertaken or intends to undertake in order to prevent these threats.**

In the business year 2007/2008 the Company purchased from its own means machines increasing its manufacturing efficiency as well as means of transport. In the period under discussion, the instalments arising out of the former leasing agreements and investment credits were also being paid off.

The Company provided the financing of the current activity by means of credits on the current account as well as the operating credits. The level of the credit engagement corresponded with the increase in the demand for the operating capital resulting from the increase in sales. The high level of sales in the Christmas period requires purchasing a great deal of raw materials which are financed through the application of the operating credit incurred by the Company.

The Issuer's Management Board does not currently expect any dangers threatening discharging of the debts incurred by the Company. The debt-service by virtue of deliveries, services and credits follows on a current basis in accordance with the terms of the agreements.

**15. Evaluation of the possibility of fulfilling the investment plans, including the capital investments, in comparison to the amount of assets owned, with respect to the change in the financial structure of that activity**

By implementing the development strategy, the Company plans to build a modern manufacturing plant in which the newest technologies will be applied enabling thus the automation of the major part of the manufacturing process. In order to increase the manufacturing efficiency and economics, HELIO S.A. intends also to modernize the current manufacturing and warehousing infrastructure of the Company by implementing new production modules in the particular technological lines and replacing a part of existing modules with more efficient and energy-saving ones.

The Company plans the realization of the above mentioned investment strategy using the means from the last year's issue of shares, own means, and bank's credits.

#### **16. Evaluation of the factors and non-standard events having influence on the result of the activity for the business year with the specification of the degree of influence of those factors or non-standard events on the achieved result**

In the period under discussion the factors that positively influenced the results achieved included primarily:

- systematic gaining new clients in the traditional channel (wholesale distributors) as well as in the modern distribution channel (supermarket chains),
- the reinforcement of good relations with the current major clients of the Company which resulted in an increased volume of deliveries,
- an increase in the trade chains with which we cooperate,
- the growing popularity of "Słoneczne Owoce" [Sunny Fruits]
- the intensification of the marketing activities carried out in this period.

The major factors which negatively influenced the financial result were above all:

- an increase in the prices of raw materials,
- an increased marketing costs caused by expanding the cooperation with the major super- and hypermarket chains due to overtaking by them smaller trade chains,
- an increase in the remuneration costs of the employees, including in particular the production employees.

#### **17. Characteristics of the external and internal factors important for the development of the issuer's company and the description of the perspective of the development of the issuer's activity at least to the end of the business year, with respect to the market strategy elaborated by the issuer**

Within at least the following half-year the Company plans to continue the development strategy which has been currently in force. The fundamental assumptions of the Issuer's medium-term strategy which was adopted and consequently implemented is systematic reinforcing of the position on the nuts and dried fruits market and processing of the low-processed food, which in turn, owing to the experience gained, should be reflected in a significant increase in the Company's share on the domestic market. The long-term strategy assumes implementing by means of the modern distribution channels the current products onto the international markets, including the countries with similar culture and traditions as well as onto the markets of the countries of the *old* European Union, where in comparison with the Polish market; ecological products have a significantly larger share in the consumer basket. Due to the high demand the Company's

products on the domestic market, HELIO S.A. has decided currently to focus on the Polish market.

In order to implement the adopted development strategy, the Company intends to take actions in particular in the following scope:

#### Development through expanding the manufacturing infrastructure of the Company

By means of implementing the development strategy, the Company plans to build a modern manufacturing plant. The newest technologies enabling the automation of the major part of the manufacturing process are to be applied in the new plan. This solution will enable to significantly increase the manufacturing capacity with an only slight increase in the costs. In order to increase the manufacturing efficiency and economics, the Company also intends to modernize the current manufacturing and warehousing infrastructure of the Company by means of implementing new production modules to the particular technological lines and replacing a part of existing modules with more efficient and energy-saving ones.

#### Diversification of the suppliers and vertical integration

Due to expanding the department of direct import, which enables purchasing directly from the manufacturers of particular products, it is possible to further diversify the supply sources of goods, to decrease the purchase prices and at the same time to commence the activities on the warehouse market of unprocessed raw materials.

#### Products

The Company shall continue the strategy currently in force. The Issuer, by means of preceding its actions with market research and quality tests, systematically introduces on the market and shall continue to introduce on the market new products of the nuts and dried fruits and poppy-seed fillings group. This type of strategy allows for current adjustment of the Company's own offer to the needs and inclinations of the client. In following half-year the Company is going to increase the share of products banded as *Słoneczne Owoce* [Sunny Fruits] in revenues of sales of the Company.

#### The marketing strategy

Building the identity of HELIO, the Company focused on developing the image of own products, identified with the highest quality and with retaining moderate prices. Taking into account the current sales value and the number of consumers, the Company still intends to intensify marketing actions supporting the sales of *Słoneczne Owoce* [Sunny Fruits] as well as the poppy-seed fillings, including in particular the actions in the scope of PR and advertisement. The growing level of sale sanctions the legitimacy of intensifying advertisement in order to further increase the level of sales and build the identity of HELIO by means of PR activities.

## **18. Changes in the elementary rules of managing the issuer's company**

The personnel of the Issuer's Management Board as well as the general rules of managing the company are not subject to any significant changes.

## **19. Changes in the issuer's managing and supervising personnel during the last business year, the rules of appointing and dismissing the managing personnel and the qualifications of the managing personnel and in particular the right to decide about issuing or buying shares**

All the members of the Management Board are appointed for a five year joint term of office. The current Management Board personnel have been in charge since 25 August 2006, i.e. from the day of transforming the company into *Spółka Akcyjna* [a joint stock company]. Since that date no changes have been implemented in the Company's Management Board. The Management Board was chosen for the current term on 18 July 2006 and its term shall expire on 25 August 2011. The mandate of a member of the Management Board shall expire on the day of approving by the General Meeting the financial report for the business year ending on 30 June 2011.

The Management Board personnel consist of:

1. Leszek Wąsowicz – President of the Management Board
2. Justyna Wąsowicz – Vice President of the Management Board

The members of the Supervisory Board are appointed for a five year joint term of office. The current personnel of the Supervisory Board have been in charge since 25 August 2006, i.e. from the day of transforming the company into *Spółka Akcyjna* [a joint stock company]. Since that date no changes have been implemented in the Company's Supervisory Board. On the basis of the partners' resolution of "PH BONA" Sp. z o.o. [a limited liability company] on the transformation into *Spółka Akcyjna* [a joint stock company], the term of the members of the Supervisory Board shall expire on 25 August 2011. The mandate of a member of the Supervisory Board shall expire on the day of approving by the General Meeting the financial report for the business year ending on 30 June 2011.

The Supervisory Board consists of:

1. Jacek Kosiński – Chairman of the Supervisory Board,
2. Adam Wąsowicz – Vice-Chairman of the Supervisory Board,
3. Irena Gałań – Stelmaszczuk – Member of the Supervisory Board,
4. Magdalena Kącka – Member of the Supervisory Board,
5. Radosław Turski – Member of the Supervisory Board.

### The rules governing appointing and dismissing the managing personnel:

Pursuant to §10 of the Company's statutes, the Members of the Management Board are appointed and dismissed by the Supervisory Board with provision for the

Members of the Management Board of the first term of office who were appointed by the Meeting of Shareholders of the transformed company in the process of the transformation of the legal form of the Company.. The Company Management Board consists of one to three members. While choosing the Members of the Management Board, the Supervisory Board shall specify the number of the Members of the Management Board and determine the functions which the appointed person shall perform in the Company's Management Board. The members of the Management Board are appointed for a joint term of office. The Management Board term shall last five years.

The rights of the managing personnel and in particular the right to decide about an issue or redemption of shares:

The Management Board of HELIO S.A. does not possess any specific rights except the rights arising out of the Commercial Companies Code.

**20. All agreements concluded between the issuer and the managing personnel assuming indemnity in case of their resignation or dismissal from the office without any important reason or when their removing or dismissal is a result of the issuer's merger by means of a take-over**

The Members of the Management Board are employed in the Company under the employment agreement. In case of dissolving the employment agreement the Members of the Management Board shall be entitled to compensation and severance package resulting from the regulations of the labour law.

The Members of the Supervisory Board are not employed by the Issuer.

There are no agreements of rendering services by the Members of the Management Board and the Members of the Supervisory Board to the benefit of the Issuer specifying the payment paid at the moment of dissolving the employment agreement.

**21. Value of remunerations, prizes or benefits, also when resulting from motivation or bonus programmes based on the issuer's capital, including operational programmes with priority right, exchangeable, warrant subscriptions (in cash, in kind or any other form), paid out, due or potentially due individually for each of persons managing and supervising the issuer in the issuer's company regardless of whether they were properly included in the costs or resulted from the distribution of the profit**

The value of remunerations and prizes of the Members of the Management Board in the business year 2007/2008 was the following:

- Leszek Wąsowicz - President of the Management Board – PLN 59,000 net
- Justyna Wąsowicz - Vice-President of the Management Board – PLN 51,000 net

In the period under discussion the Members of the Supervisory Board did not accept any remunerations, prizes or other benefits.

## 22. Specification of the total amount and nominal value of all the shares owned by the managing and supervising persons

According to the knowledge of the Management Board of HELIO S.A, on the day of closing the first half of business year, i.e. 31 December 2008, the managing and supervising persons owned the following Company's shares (Table ).

Table 4. The status of the shares owned by the managing and supervising persons for 31 December 2007.

Shareholder	Number of shares	Nominal value of the shares owned	Percentage share in the share capital	Number of votes at the general meeting	Percentage share in the total number of votes on GM
<b>Members of the Management Board</b>					
Leszek Wąsowicz	3,857,000	PLN 1,928,500	77.1%	3,857,000	77.1%
<b>Members of the Supervisory Board</b>					
Jacek Kosiński	17,800	PLN 8,900	0.4%	17,800	0.4%

Source: the Management Board of HELIO S.A

## 23. Specification of the shareholders having, indirectly or directly by subsidiary entities, at least 5% in the total number of votes at the Issuer's General Meeting

On the day of closing the first half of business year, i.e. 31 December 2007, according to the knowledge of the Management Board of HELIO S.A, the structure of the shareholders holding more than 5% of votes at the Issuer's General Meeting was the following:

Table 6. The structure of the shareholders holding more than 5% of votes at the GM (for 31 December 2008)

Shareholder	Number of shares	Share in the share capital (%)	Number of votes at the general meeting	Share in the total number of votes on GM (%)
Leszek Wąsowicz	3 857 000	77.1	3 857 000	77.1

Source: the Management Board of HELIO S.A

**24. Information about the agreements known to the issuer (including those concluded after the balance sheet date) as result of which there may follow changes in proportions of shares owned by the current shareholders and covenantees**

According to the knowledge of the Management Board of HELIO S.A, no agreements of this kind were concluded.

**25. Specification of the holders of all securities which provide special control authorization regarding the issuer**

None.

**26. Information about the matching shares control system**

Not applicable.

**27. Specification of all limits regarding the assignment of title of the issuer's securities as well as all the limits in the scope of executing the right to vote falling on the issuer's shares**

In accordance with the knowledge of the Management Board no limitations in scope of transferring the rights to shares of the Company and all limitations in scope of voting, except for the statements of the members of the Management Board of the Company – Mrs. Jutyna Wąsowicz Vice-president, and Mr. Leszek Wąsowicz President, that they do not intend to sell their shares within the period of 12 months from the date of allocation of Series B Shares, i.e. from 2 April 2007, in accordance with the resolutions of the published Issuing Prospectus.

**28. Information regarding the agreement with the entity entitled to analyse and inspect the financial reports**

On 30 March 2007 the Supervisory Board of the Company chose the entity entitled to analyze the financial reports. The chosen entity is PKF Consult Sp. z o.o. [plc] with its registered office in Warsaw, entered into the list of entities entitled to analyze financial results, run by the National Chamber of Statutory Auditors under number 477. On 5 June 2007 an agreement with the chosen entity was concluded for the period ending with the moment of the end of the works resulting from the analysis of the annual financial report of the Company for the last period under the agreement. The scope of the agreement includes:

- analysis of the annual financial report of HELIO S.A. in accordance with the state for 30 June 2007,
- analysis of the annual financial report of HELIO S.A. in accordance with the state for 30 June 2008,
- analysis of the annual financial report of HELIO S.A. in accordance with the state for 30 June 2009,



- intra-year survey of the annual financial report of HELIO S.A. in accordance with the state for 31 December 2007
- intra-year survey of the annual financial report of HELIO S.A. in accordance with the state for 31 December 2008

The total amount of the remuneration arising from this agreement, due or paid off by virtue of the analysis and survey of the financial reports shall be PLN 84,500 net. Should a significant increase (by over 35%) in the balance amount or revenues in reports surveyed or analysed in the following business years occur, the parties may renegotiate the amount of the remuneration.

The Company has already used the services of PKF Consult Sp. z o.o. [plc] in the scope of analysing the financial report of the legal predecessor of the Issuer for 2005, the analysis of the financial reports prepared for its application in the prospectus (from 15 August 2003 to 31 December 2004; from 01 January to 31 December 2005; from 01 January to 31 August 2006 of the capital forecast), the analysis of the plan of transforming "PH BONA" Sp. z o.o. [public limited company] into HELIO S.A. as well as rendering proper opinions and consultancy in the field of the accountancy organization. The total cost of the above mentioned activities amounts to PLN 85,300 net.

**29. Statement of the persons responsible for the information included in this report on the Management Board activity of HELIO S.A.**

The Company's Management Board declares that according to its best knowledge the half-yearly financial report and the comparable date was prepared in compliance with the binding rules of accountancy and that they reflect in a true, reliable and clear manner the capital and financial situation of the Issuer as well as the financial result and that the report on the Issuer's activity includes the true picture of the development and achievements and the situation of the Company, including the description of the fundamental threats and risks.

The Company's Management Board declares that the entity entitled to analyze the financial reports, preparing the analysis of the half-yearly financial report, was chosen in accordance with the provisions of law and that this entity as well as auditors carrying out the analysis of this report met the requirements for presenting unbiased and independent opinion on the analysis in compliance with relevant provisions of the national law.

Wyględy, 26 March 2007

.....  
Leszek Wąsowicz  
President of the Management Board

.....  
Justyna Wąsowicz  
Vice-President of the Management Board