

**ADDITIONAL INFORMATION  
TO THE FINANCIAL STATEMENT  
FOR THE 4<sup>TH</sup> QUARTER OF THE BUSINESS YEAR 2010/2011  
FROM 1 JULY 2010 TO 30 JUNE 2011**



Pursuant to the § 87 section 4 and 7 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities, the Management Board of HELIO S.A., with its registered office in Wyględy, in its full personal composition:

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

hereby presents additional information to the interim report for **the 4<sup>th</sup> quarter of the current business year 2010/2011**. This quarterly report includes the period from **1 April 2011 to 30 June 2011**.

Pursuant to the statutes of the Company the business year of HELIO S.A. shall start on 1 July and end on 30 June.

The Company shall not prepare a consolidated financial statement.

## **1. Accounting principles adopted while preparing the report**

The presented financial data of the Company for the 4<sup>th</sup> quarter of the business year 2010/2011 was prepared pursuant to the Accounting Act of 29 September 1994. In the current business year the Company did not change the accounting principles (policy) in relation to the principles adopted in the financial statement for the previous year.

PLN (the Polish zloty) is the currency of this report.

In order to assure the comparability of the financial data for the 4<sup>th</sup> quarter of the current business year, the analogical period from the previous business year, i.e. from 1 April 2010 to 30 June 2010 was accepted as a comparable period. In case of data presented in an increasing order for three quarters of the current business year, the analogical period from 1 July 2009 to 30 June 2010 was accepted as the comparable period.

All the data presented in the statement was shown in thousand zlotys, unless otherwise specified. Operations in foreign currencies and asset and liability items were converted into the Polish zloty in accordance with the following rules:

- revenues and expenses in foreign currencies were converted in accordance with the average exchange rate determined by the Polish National Bank [*NBP*] for the day of the transaction,
- financial operations in foreign currencies were converted in accordance with the purchase exchange rate of currencies applied by the bank whose services the Company used,
- asset and liability items for the balance-sheet date were priced at the exchange rate determined by the Polish National Bank [*NBP*] of 30 June 2011.

The presented selected financial data from the balance-sheet, from the profit and loss account and cash flow account were converted from the Polish zloty into the Euro in accordance with the following rules:

- particular asset and liability items of the balance-sheet as of 30 June 2011 converted at the average exchange rate for the balance-sheet date determined by the Polish National Bank for the Euro, Table No. 125/A/NBP/2011 of 30 June 2011, 1 EUR = PLN 3.9866,
- particular profit and loss account items and of the cash flow account for the period from 1 July 2010 to 30 June 2011 were converted at the exchange rate that is the arithmetic average of the exchange rate of the Polish National Bank for the Euro for the last day of each month in the given period in the following way:

| <b>Table No.</b>                           | <b>Date</b>    | <b>Exchange rate<br/>(PLN)</b> |
|--|----------------|--------------------------------|
| 147/A/NBP/2010                             | 30.07.2010     | 4.0080                         |
| 169/A/NBP/2010                             | 31.08.2010     | 4.0038                         |
| 191/A/NBP/2010                             | 30.09.2010     | 3.9870                         |
| 212/A/NBP/2010                             | 29.10.2010     | 3.9944                         |
| 232/A/NBP/2010                             | 30.11.2010     | 4.0734                         |
| 255/A/NBP/2010                             | 31.12.2010     | 3.9603                         |
| 20/A/NBP/2011                              | 31.01.2011     | 3.9345                         |
| 40/A/NBP/2011                              | 28.02.2011     | 3.9763                         |
| 63/A/NBP/2011                              | 31.03.2011     | 4.0119                         |
| 83/A/NBP/2011                              | 29.04.2011     | 3.9376                         |
| 104/A/NBP/2011                             | 31.05.2011     | 3.9569                         |
| 125/A/NBP/2011                             | 30.06.2011     | 3.9866                         |
| <b>Average exchange rate for 12 months</b> | <b>1 EUR =</b> | <b>3.9859</b>                  |

In the presented period there are adjustments for provisions, provisions for deferred income tax and deferred tax assets.

The provisions were taken up for:

- financial leasing (PLN thousand 4).

Deferred tax assets refer to:

- promoting and marketing activities (PLN thousand 61),
- unpaid salaries and National Insurance contributions (PLN thousand 8),
- retirement and pension pays (PLN thousand 5),
- warehouses under construction, partially in use (PLN thousand 12),
- leaves not taken up (PLN thousand 29),
- allowances for stock valuation (PLN thousand 7),
- negative differences of exchange rates as of the balance sheet date (PLN thousand 2),
- audit of annual financial statements (PLN thousand 4).

Provisions for deferred income tax refer to:

- financial leasing (PLN thousand 24),
- interest on receivables (PLN thousand 27).

- Taken up write-offs revaluating assets refer to:

- materials stock (PLN thousand 39).

## **2. Description of essential achievements or failures in the period concerned**

In the 4<sup>th</sup> quarter of the current business year the Company has still increased its sales, and at the same time generated record-breaking revenues from sales in the period from April to June that amounted to PLN 14 007 thousand, which means a growth of 64% in relation to the analogical period of the previous business year (in the period from April to June 2010 amounting to PLN 8 525 thousand).

Although the 4<sup>th</sup> quarter of this year closed a net loss of PLN 915 thousand, it is caused by the seasonality of the branch in which the issuer operates. It must be remembered that in relation to the Issuer's history, the period April – June was on a year-to-year basic characteristic of a loss.

Given the fact that the current quarter closed the financial year 2010/2011, it is worth noting that this was the best year in the history of sales income generated by the company. In relation to the analogical four quarters of last year, the Company increased its sales revenue by 5% (from PLN 80 706 thousand in the year 2009/2010 to PLN 84 808 thousand in the year 2010/2011), which should be assessed positively, bearing in mind the limited supply possibilities resulting from the already full utilisation of the production capacity in the existing localisations of the Company. The issuer maintained a strong position on a domestic market of dried fruit and nuts at the crucial moment for the Company, which is a good starting point for further dynamic development of the Company. It should be emphasized that at the end of the current financial year, HELIO SA commissioned a new production and warehouse facility in Brochów, getting rid of the crucial supply barrier which limited the dynamic growth of the company in recent years. At the same time, considering the surge in the production capacity of the company, as early as last year the Issuer undertook a number of actions aimed at increasing the demand for its products in future, including, in particular, activating traditional sales channel, introducing new production lines, and further popularizing the Company's brands. These actions involved additional significant costs resulting in incidental disturbance of the upward trend of generated net income y/y which characterised the company throughout the history of its business activity. Although the last year was not a record one in terms of net results, this fact should be considered as exceptional and necessary for ensuring high dynamics of the Company's development in future.

### **3. Factors and events, especially of untypical nature that influence the obtained financial results.**

As a result of this year's date of Easter (second half of April), a larger-than-last year part of the pre-Easter sales peak occurred in the 4<sup>th</sup> quarter (April-June). Although it had a positive effect on the growth of sales income in the current period, this factor related only to the first weeks of April; afterwards the Company entered into the period of summer sales downturn, which is typical for the Company's industry. It should be noted that, while the Easter sales income occurred largely also in the previous quarter (a significant amount of the Easter supplies, in particular for wholesalers and retailers, was implemented in March 2011, i.e. in the 3<sup>rd</sup> quarter of financial year 2010/2011), due to the intensified promotional activity undertaken just before Easter, i.e. in April 2011 (including the TV and press campaign, advertisements in commercial press, tasting, etc.), selling expenses were not spread between the 3<sup>rd</sup> and the 4<sup>th</sup> quarters in proportion to the generated income but it charged more the financial result of current period. Therefore, although a relatively late date of Easter had a positive effect on the value of the Company's sales in last quarter of the financial year 2010/2011, it was also the cause of different-than-in-previous years placement of the Easter selling costs in time, for the benefit of the previous quarter (January - March 2011).

One of the factors affecting the Issuer's results in the current quarter was the increase in commodity prices. Although the Company renegotiated the prices of products sold to its Customers, it was an extended process which had negative short-term impact on the Company's sales margins, especially at the beginning of the current quarter, i.e. in the Easter season which is crucial for the period in question.

The current quarter was also a time of further activation of the traditional distribution channel (wholesalers, distributors). However, the level of costs incurred for this purpose was lower than in previous quarters of the financial year 2010/2011, which is consistent with earlier statements of the Issuer and its development strategy.

It should be also noted that in the 4<sup>th</sup> quarter of the fiscal year 2010/2011 the Company's operating results were still burdened with high selling costs resulting from the location of the Company's business activity in several places, including, in particular, the high costs of internal logistics. It should be stressed that that was a temporary situation because in the last weeks of the current quarter the Issuer received from the District Inspector of Building Control in Sochaczew a permission to use the new production and warehouse facility in Brochów (details on this matter was published in the current report No 2/2011 of 20.05.2011 r.), and thus was able to proceed to the transfer of its business activity from the current leased location to a new building facility. As a result, as early as from the next quarter, the Company will be able to significantly reduce the costs of internal logistics and improve its production capacity. The measurable results should, therefore, be seen as early as in the next financial year, both in terms of increased growth of sales income and the improvement in net results.

The combination of these factors meant that although sales income in the 4<sup>th</sup> quarter of the financial year 2010/2011 significantly increased compared to the corresponding period last year, the last year's net profit for the period from April to June was higher than this year's net profit by PLN 320 thousand. Last period was characterised by the seasonal nature of the Company's income generation. It must be remembered that in relation to the Issuer's history, the period April – June was on a year-to-year basic characteristic of a loss. The measurable results of the actions taken at present will be visible in the results achieved by the Company in the key months for its sector of the next financial year.

#### **4. Information about seasonal character or cyclical nature of the activities of the issuer in the presented period.**

Because of the specificity of this sector that is typical of a highly seasonal character, several relations essential for the correct interpretation of some economic values occurring in the companies in the nuts and dried fruits processing sector. It should be emphasized that the Company's revenues are strongly connected with the dates of Easter and Christmas.

The phenomenon of a seasonal character is present in the Issuer's activities. The highest sales of nuts and dried fruits fall on the period before Christmas and Easter. The sales of nuts and dried fruits are on its lowest level in the summer period, when the availability of fresh fruits makes them a competitive product.

At the same time the Company prepares itself to the period of increased sales by means of purchase of nuts and dried fruits in the period in which the sales are on the lowest level. The accumulation of sales characteristic for the sector in the months preceding Christmas and Easter makes it justifiable to commence Christmas and Easter production in the summer period of lower sales.

#### **5. Information about issue, redemption and repayment of debt securities and capital securities.**

No transactions connected with issue, redemption and repayment of debt securities and capital securities were carried out in the period for which this report is presented.

#### **6. Information about declared or paid dividend**

HELIO S.A. did not declare or pay dividend in the period for this report is presented.

#### **7. Events that occurred after 30 June 2011, not included in the abridged version of the statement that may significantly influence the future financial results of the Issuer.**

No events that may significantly influence the future financial results of the Issuer occurred after the date for which the quarterly financial statement was prepared.

#### **8. Information about changes in the conditional liabilities and conditional assets that took place after the end of the last business year.**

No such events took place in the period for which this statement is presented, i.e. from the end of the last business year.

#### **9. Description of the organization of the capital group of the Issuer with pointing to the entities subject to consolidation.**

HELIO S.A. does not form a capital group and is not a parent company.

#### **10. Information about changes in the structure of HELIO S.A., including mergers with other entities, takeovers or sale of the entities from the Issuer's capital group, long-term investments, division, restructuring and discontinuation of activity**

No such events took place.

**11. 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 quarterly report in relation to the forecasted results.**

The Issuer did not publish financial result forecast for the current business year.

**12. Shareholders who own directly or indirectly by means of dependent entities at least 5% of the total number of votes at the Issuer's General Meeting of Shareholders for the date of passing the quarterly report and changes in the ownership structure of significant blocks of the Issuer's share in the period from passing the previous quarterly report.**

For the day of passing this quarterly report, in accordance with the knowledge of the Management Board of HELIO S.A. the structure of shareholders who own at least 5% of votes at the Issuer's General Meeting of Shareholders was as follows:

| Name of the shareholder | Number of shares | Share in the share capital (%) | Number of votes at the General Meeting of Shareholders | Share in the total number of votes at the General Meeting of Shareholders (%) |
|-------------------------|------------------|--------------------------------|--|---|
| <b>Leszek Wąsowicz</b>  | <b>3 857 000</b> | <b>77.14</b>                   | <b>3 857 000</b>                                       | <b>77.14</b>  |

In accordance with the knowledge of the Management Board, the ownership structure of the significant block of the Issuer's shares did not change in the period from passing the previous interim report.

**13. List of the assets of shares of HELIO S.A. or rights to them for managing and supervising persons as of the date of passing the quarterly report with the changes in the ownership in the period from passing the previous quarterly report.**

The managing and supervising persons owned the following shares of the Company, as of the date of passing this quarterly report:

| Shareholder                             | Number of shares | Percentage (%) share in the share capital | Number of votes at the General Meeting of Shareholders | Percentage (%) share in the total number of votes at the General Meeting of Shareholders |
|---|------------------|---|--|--|
| <b>Members of the Management Board</b>  |                  |   |  |  |
| Leszek Wąsowicz                         | 3.857.000        | 77.1                                      | 3.857.000  | 77.1   |
| <b>Members of the Supervisory Board</b> |                  |   |  |  |
| Jacek Kosiński                          | 17.800           | 0.4                                       | 17.800   | 0.4  |

In accordance with the knowledge of the Management Board, no changes in the ownership of shares of HELIO S.A. of the managing and supervising persons took place in the period from passing the previous quarterly report.

**14. Information on ongoing judicial proceedings, proceedings in authorities competent for arbitral proceedings or in public administration authorities**

In the period for which this report is presented, the Company did not participate in any legal proceedings which a single or total value was at least 10% of the Issuer's equity capital .

**15. Information about one or many transactions with affiliated entities concluded by the**

HELIO S.A. did not carry out any significant transaction with an affiliated entity on other terms than market.

**16. Information about granting by the Company credit securities or loans or guarantees – in total to one entity or a person dependent on this entity, if the total value of the existing securities and guarantees is equal to at least 10% of the equity capitals of the Company.**

The Company did not grant credit securities, loans or guarantee in the period for which this report of HELIO S.A. is presented.

**17. Other information that is essential in the Issuer's opinion for the assessment of its personnel, material and financial situation and its changes that may be essentials for the assessment of the possibility of accomplishing the Issuer's liabilities.**

In the assessment of the Company all essentials information was included in this quarterly report.



**18. List of factors that in the Issuer's assessment will influence the obtained results in the perspective of at least successive quarter of the year.**

The next quarter is a period in which sales of nuts and dried fruits are on a relatively low level, due to the availability of fresh fruits, which are a competitive product in this period. This is characteristic of the Issuer's branch, and thus entered into the seasonal nature of the generation of its revenues and profits. As in the previous quarter, the Company will prepare itself for the season of increased sales, including making purchases of raw material and stocking up for future sale. At the same time the Company will seek to reduce a seasonal decrease of sales in the industry by increasing sales of the snack dried fruit and nuts which are more and more popular in Poland.

The quarter starting financial year 2011/2012 is also the time when the first positive effects resulting from the relocation of the business activity from the previous leased location to a new warehouse and manufacturing complex in Brochów should be noticeable. Due to the relatively low sales during the summer season in the Issuer's industry, within the next quarter it should be reflected primarily at the level of EBITDA, due to a reduction in operating costs resulting from optimizing internal logistics and reducing the costs of leased warehouse space. However, increased depreciation and financing costs resulting from the repayment of interest on investment loans should be expected.

Increased storage and production capacity of the Issuer's new complex located in Brochów also created the potential to develop entirely new sales segment in the HELIO S.A. activity, which is the sale of dried fruit to the industry (B2B segment, i.e. sales to the manufacturers of sweets, bakeries, confectioneries, etc.). The department dealing with the activation of this segment will be created within the next quarter, and according to the expectations of the Management Board this segment should generate at least ten million of additional revenue from sales as early as in the 1<sup>st</sup> year of operation. The development of this segment is not only the prospect of increased income, but also the improvement of the inventory turnover and economies of scale resulting from increased purchases.

The next year promises to be successful in terms of both the high-growth of sales income and the improvement of profits. It should be noted, however, that due to the seasonality of the Issuer's industry, the 1<sup>st</sup> quarter of financial year 2011/2012 will be a period of the Issuer's activities, which will be visible effects primarily in next quarters financial results.