

**HALF-YEARLY REPORT OF THE MANAGEMENT BOARD  
ON THE ACTIVITIES OF HELIO S.A.  
FOR THE PERIOD  
FROM 1 JULY 2011 TO 31 DECEMBER 2011**



Pursuant to the § 89 section 1 point 3 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 half-yearly report of the management board on the activities of HELIO S.A.

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

**1. 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.

**2. 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.

**3. 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 report in relation to the forecasted results.**

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

**4. 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.**

To the Management Board of HELIO S.A. knowledge, as of a day of submitting the present semi-annual report, structure of the shareholders owning at least 5 % of votes at the Issuer's Ordinary Meeting of Shareholders was as follows:

Shareholder	Number of shares	Percentage share in share Capital (%)	Number of votes at the General Meeting of Shareholders	Percentage share in 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 quarterly report.

**5. 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 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.

**6. 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 .

**7. 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.

**8. 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.

**9. 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 report.

**10. 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.**

Over the next six months the Company is planning to continue the hitherto assumed strategy of development. The benefits of the business activity relocation from the previously leased premises into the new production and warehouse complex in Brochów should be more and more noticeable in the following periods, and thus will have a positive impact on sales revenue and profits of the Company, in particular at the EBITDA level. As already mentioned by the Issuer, one should take into account the increased depreciation and financial costs as compared to the previous year, resulting from payment of interest on investment loans and increased working capital facilities. Taking the above into consideration, the beneficial and future-oriented event of the last six months was signing by the Company annexes to the existing loan agreements to reduce the loan margins.

The Issuer's results in the perspective of the next six months will be significantly influenced by typical for the industry increased sales during the pre-Easter season, as well as the unusual, occasional sales related to the expected increased demand for nut and dried fruit snacks during the European Football Championship. Despite the market trends that popularize delicacies in a broader context than just an irreplaceable component of festive dishes, one should remember that the Issuer's industry is still characterized by high seasonality, closely associated with the periods of Christmas and Easter. It is estimated at the same time, that the market of nuts and dried fruits will still grow in the coming years at a rate of several percent per year. Good prospects of the industry growth are more hopeful in the context of the increased supplying capacity of the Issuer, through which it could return to the dynamics of development from previous years, and thus grow much faster than the market.

The second half of the fiscal year 2011/2012 is therefore a continuation of intensive work on gaining new customers, in particular in the traditional channel (wholesalers and distributors), the B2B segment and on foreign markets. It is worth to note that sales in this regard in fact was not during recent years a significant position in the sales structure of the Issuer, and its activation is a natural and announced consequence of the implemented Company's

development strategy. This expansion should relatively soon lead to increased sales of the Company's products and thus help to make the best possible use of the increased supplying capacity of the Issuer.

As regards the macroeconomic factors affecting the results of HELIO SA in the next six months a special attention should be paid to the situation prevailing in the currency market. The unstable situation in this area affects negatively on the activities of HELIO SA. Although the company has the opportunity to renegotiate the prices of sold products with its customers, adapting them to current market conditions, it is the process extended in time and implying a temporary decrease in margins on the Company's sale.

In conclusion, it is worth noting that the internal determinants shaping the results of the Issuer in the second half of fiscal year 2011/2012 are promising. The company has made since the last time a lot of effort giving the potential for further dynamic development of its sales and improvement of profits. Although the harmony of the positive factors is disturbed by unstable macroeconomic situation, particularly in the currency exchange market, the development perspectives of HELIO S.A. seem to be invulnerable.

## **11. 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 such fluctuations may affect 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 response 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 the prices of products with the clients.

#### The risk of foreign currency exchange rates

Due to the fact that the Company imports directly from the countries of origin a significant part of the raw materials necessary to prepare the products, the rate of the foreign currencies may influence onto 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. Managing the risk of foreign currency, the Issuer takes use of internal instruments, including, first of all, the Issuer adjusts pricing conditions offered customers to the costs of purchase of the raw material. Neither at present the Company takes use of external instruments (for example: an option, futures, forward, CIRS), nor in the period of the first half of business year 2011/2012 the Company was a party in the referred type of agreements.

#### 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 merging 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 merged chains aim at the centralization of the purchase and more frequently the suppliers cooperating with the chain which was the overtaking chain are chosen. In order to protect against the risk of losing the greatest clients, 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 decided to undertake a series of activities from the scope of the managing of the human resources, such as providing seniority bonus schedule, incentive bonus schedule, signing contracts for employment with hitherto contractors.

The risk of major shareholders impact onto the decisions of the Company's bodies/authorities

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 of Shareholders 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 impact of the new shareholders. Furthermore, Mr. Leszek Wąsowicz, President of the Management Board, is the entity dominating against the Issuer under the Act of the Offer. Mr. Leszek Wąsowicz, President of the Management Board, owns directly 3,857,000 of the Issuer's Series A shares which currently entitle to 3,857,000 votes at the Issuer's General Meeting of Shareholders, what constitutes 77.1% of the share in the share capital and votes at the Issuer's General Meeting of Shareholders.

Risk of delay in commissioning of the new plant in Brochów

In connection with the commenced procedure of commissioning the investment project in Brochów, as potential reservations of construction supervision authorities appear, there is a risk of extension of the time of the referred process, and at the same time of punctuality for obtaining relevant administrative decisions. In order to minimize the referred risk, the Issuer undertook suitable actions just at the stage of performance of the investment project.