



**REPORT ON ACTIVITY OF
THE SUPERVISORY BOARD OF HELIO S.A.
IN THE BUSINESS YEAR 2010/2011**

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, in the full composition, i.e.:

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

presents hereinafter the report in writing prepared by the Board concerning the business year 2010/2011 from 1 July 2010 up to 30 June 2011, composed of:

1. the report on activity of the Supervisory Board taking into consideration operation of the Board committees, including assessment of the committees operation,
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 2010/2011, 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 2010/2011.

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

Members of the Supervisory Board were appointed for terms of five years, for joint terms of office by Resolution No. 1 of the Extraordinary General Meeting of Shareholders of "PH BONA" Sp. z o.o. (Ltd) of 18 July 2006 concerning transformation of the limited liability company into a joint stock company. Current composition of the Supervisory Board fulfils its functions from 25 August 2006, i.e. from a date of transformation of "PH BONA" Sp. z o.o. into HELIO S.A. After the date no changes have been introduced into the Board composition. The term of members of the Supervisory Board expired on 25 August 2011, and a member mandate of the Supervisory Board will expire on a day of approval by the General Meeting of Shareholders of financial statement for the business year ending on 30 June 2011, i.e. the business year 2010/2011.

The Supervisory Board of HELIO S.A. operates on the base of common binding regulations of law, the Company Statutes and the Regulations of the Supervisory Board. In the accounting year 2010/2011 the Supervisory Board convened three times at the sessions. All members participated in the sessions.

The Supervisory Board carried out periodical analyses of financial results reached by the Company as well as financial forecasts prepared by the Management Board for internal needs of the Company. The Supervisory Board's meetings covered also the current position of the Company, the market conditions and the Company's forecast development, including the issue connected with the performance of the investment project, i.e. construction of the new warehouse-manufacturing-office complex in Brochów, which is the greatest investment in the Company's activity history. The Supervisory Board currently co-operated with the Management Board of the Company, and it was the successful cooperation. Due to the professional skills, Members of the Supervisory Board in relations with the Management Board were trying continuously to assist the Management Board with professional advice, what favourably impacted onto the current monitoring of the Company activity by the Board.

Considering the minimal number of members of the Company Supervisory Board required by the law as well as a size of the Company, none committees are separated in the Supervisory Board. Tasks of the committees were carried out by all members of the Board within a scope appropriate to the necessities, but additionally at one of this year meetings, the Supervisory Board provided a periodical review of efficiency of the Board's functioning and it resulted in the decision to continue the hitherto form of the Supervisory Board's activity.

Besides, at the sessions held in the business year 2010/2011, the Supervisory Board executed review of the internal audit and managing the risk, stating that the main risks in the Company were correctly identified, managed and disclosed, and therefore there is no need to introduce a function of the internal audit separated in the HELIO S.A. structure. At the same time, in view of dynamic development of organizational structure of the enterprise, the Supervisory Board recommended the Management Board detailed review of hitherto procedures of audit and managing risk, in particulars, in circumstances of opening chances and threats connected with organization of work in the Company's new facility in Brochów. The Board assessed affirmatively also effectiveness of the external audit process, including independency as well as fairness of the external auditor cooperating with the Company.

As the first term of the Management Board of HELIO S.A. expired on 25.08.2011, last financial year the Supervisory Board within its responsibilities appointed the members of the Management Board of the Company for the successive, second term. In view of high assessment of hitherto work of members of the Management Board as well as their very good knowledge of the Company and its Brand, the Supervisory Board made a decision to leave the Management Board in unchanged composition for the successive term.

Furthermore, in the financial year 2010/2011 the Supervisory Board was also involved in adjustment of internal regulations of the Company within a scope resulting from „*Best Practices of the Warsaw Stock Exchange Listed Companies*” of 19.05.2010. Putting into practice the provisions of the new implemented recommendation included in Chapter I pos. 5 of the referred document, the Supervisory Board made effective the Policy of remunerations for members of supervising and managing authorities, as well as committed the Management Board of the Company to immediate placing its content on to the Internet website of HELIO S.A. Moreover, within its obligations the Supervisory Board carried out annual verification of remuneration for the members of the Management Board.

Moreover, in the reporting period the effect of the Supervisory Board' debate was also positive assessment of the financial statements as well as the Report of the Management Board of the Company's activities for the business year 2009/2010, including affirmative recommendation for the General Meeting of Shareholders, of the Management Board's proposal with regard to distribution of the profit.

The Supervisory Board appraises its acting affirmatively in the business year 2010/2011, as the actions undertaken by the Board allowed, in the Board's opinion, appropriate supervision over the Company's activity.

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 affirmatively appraises the Company's position both with regard to stable market position, realized investment and operating tasks and prospect of development.

In the business year 2010/2011 the Company completed construction of the new manufacturing-warehouse-office complex in Brochów near Sochaczew. Realization of the referred investment project was the element of consequentially implemented strategy of the development. Owing to the referred investment the jumping increase of supply opportunities of the enterprise, as well as reduction of operating costs through optimization of internal logistic activities, use of energy saving solutions and betterment of efficiency of manufacturing processes. In spite of delays in commissioning the referred investment, in the appraisal of the Supervisory Board the activities within that scope were conducted by the Management Board at observing full commitment and exercising professional due diligence, and the delay owned to the circumstances beyond the Company's control.

In view of operating activity the Company again succeeded to gain revenues from sales record-breaking in the history of the enterprises which amounted to PLN thousand 84,809. Besides, last year the Company undertook a number of prospective pro-sales activities. Though they were connected with incurring single considerable expenses, including first of all selling costs (launching new products, activation of new distribution channels), they were indispensable to ensure further dynamic development of the Company. Therefore, those costs should be justified in results of future financial years, however, they decreased in a single manner the net profit up to a level of PLN thousand 2,295. Following the Management Board's explanations, the loss of Dynamics of profits was still incidental but at the same time necessary to prepare the Company for continuation of intensive development in future years. In the appraisal of the Supervisory Board the Management Board notified on the necessity to incur additional expenditures appropriately both in the interim financial statements and in the Management Board's report on the economic activity of the Company in the business year 2009/2010.

Taking the above into consideration, in the Board's opinion, in the financial year 2010/2011 the Company consequently and effectively realized the adopted development strategy. The stated development of the Company was noticeable both with regard to the increased incomes from sales, and in non-financial aspects of the business activity, including maintenance of the leading market position, or the received prestige prizes (for example Consumer's Golden Laurel 2011 ["Złoty Laur Konsumenta 2011"], Statuette of Superproduct

of Woman's World 2010 ["Superprodukt Świata Kobiety 2010"], or distinction in competition: FMCG Pearls of the Market ["Perły Rynku FMCG"] and "Gold receipt – Polish Merchants' Award" ("Złoty Paragon – Nagroda Kupców Polskich"). The above facts cause that currently HELIO S.A. is one of the greatest importers and distributors of nuts and dried fruits in Poland, as well as undisputable leader in the category of poppy mixtures. The Company has signed agreements on co-operation with all greatest shopping chains and distributors in the country, and owing to extended trade structures systematically increases its sales in the traditional channel. The increased supply capability of the Issuer resulting from commission of the new plant in Brochów additionally created the potential for development in the future financial year of absolutely new segment of sales in the activity of HELIO S.A., as sales of nuts and dried fruits for the industry is (segment B2B, i.e. sales to manufacturers of sweets, bake-houses, cake shops, etc.). Additionally, next year the Company plans to increase sales on to the foreign markets in B2C segment, especially in the modern channel through use of the international reach of commercial chains hitherto cooperating with the Issuer on the domestic market, what complies with the strategy assumptions of the HELIO S.A. development described in the previous years by the Management Board of the Company in the interim reports, as well as in the issue prospectus.

Summarizing the Company's achievements in the prior year, the Supervisory Board affirmatively responses to the elements of the Company development strategy, under performance and covered by the schedule provided by the Management Board in the Report of the Management Board on activity of HELIO S.A. in the business year 2010/2011. In the opinion of the Supervisory Board, execution of the assumptions made by the Management Board should ensure further dynamic development of the Company, not only in the coming business year, but in subsequent perspective, as well.

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 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 2010/2011, 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 2010/2011

After getting acquainted with the contents of the Company financial statement for the financial year 2010/2011 as well as the report of the Management Board on the Company's activity for the business year 2010/2011, 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 dynamic development of the Company, including the increasing demand for the working capital resulting from the increasing scale of the enterprise economic activity in connection of commission of a new manufacturing-warehouse complex in Brochów, 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 2010/2011 amounting to PLN 2,294,851.85 (say: two million two hundred and ninety four thousand eight hundred and

fifty one Polish złotys eighty five groszes) 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 2010/2011,
- b. to approve the report of the Management Board on the Company's activity for the business year 2010/2011,
- c. to accept the proposal of Management Board relating to purpose the net profit gained by the Company in the 2010/2011 business year amounting to PLN 2,294,851.85 (say: two million two hundred and ninety four thousand eight hundred and fifty one Polish złotys eighty five groszes) 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 2010/2011.

Wyględy, 5 November 2011

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Jacek Kosiński
Chairperson of the Supervisory Board

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Deputy Chairperson of the
Supervisory Board

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Irena Gałan-Stelmaszczuk
Member of the Supervisory Board

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Magdalena Kaćka
Member of the Supervisory Board

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Radosław Turski
Member of the Supervisory Board