



**REPORT OF THE MANAGEMENT BOARD
OF THE ACTIVITIES OF HELIO S.A.
for the business year 2010/2011
from 1 July 2010 to 30 June 2011**

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1. Rules of figure up the annual report on the Management Board activity

The presented report on the Company Management Board activity for the business year 2010/2011 has been drawn up in compliance with the Accounting Act of 29 September 1994 as amended and under the Regulation of the Minister of Finance of 19 February 2009 on current and interim reports provided by the Issuers of securities and on the conditions of acknowledging the equivalence of information required by laws of a non-member country.

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

Pursuant to the Company statutes the business year of HELIO S.A shall begin on 1 July and end on 30 June. The period for which the comparable data are presented is the period of the prior business year, i.e. from 1 July 2009 up till 30 June 2010.

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

The Company does not draw up any consolidated financial report.

2. Basic information about the Company.

Name (company):	HELIO Spółka Akcyjna
Legal form:	joint stock company
Country of company:	Poland
Premises:	Wyględy
Address:	ul. Stołeczna 26, 05-083 Zaborów
Telephone:	22 796 31 96
Facsimile:	22 752 09 21
E-mail:	helio@helio.pl
Website:	www.helio.pl

On behalf of the Company act:

- 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" Spółka z ograniczoną odpowiedzialnością (limited/public liability company) to HELIO S.A. (joint stock company). On 25 August 2006 the Company was entered into the Register of Entrepreneurs run by the District Court for the capital city of Warsaw, 14th Economic Department of the National Court Register in Warsaw, under KRS number: 0000262514.

The Company's legal predecessor was running the activity from 15 August 2003 to 24 August 2006 as a limited liability company. It is of particular significance that Mr. Leszek Wąsowicz was running 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 of the Civil Code) was implemented as a contribution 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 (the sweetmeats), production of mixes (fillings) for baking cakes and distribution of them. Practically the total sale of the company is directed to the domestic wholesale and retail market.

The Company's premises are located in Wyględy, 26 Stołeczna Street; this is also the place where the manufacturing plant is located. This location is situated on Warsaw – Sochaczew route in the distance of 20 kilometres from downtown Warsaw and about 10 kilometres from Warsaw – Poznań transit route. Last years the Company rented some warehouses in the vicinity.

In May 2011 the Company commissioned and started up the new warehouse-manufacturing-office facility which is the biggest this type complex in the nuts and dried fruits trade in Poland as well as the one of the biggest in Europe. The new constructed plant is the greatest investment in the Issuer's history. It has been erected on a plot in Brochów acquired in spring of the 2008 year nearby Sochaczew, i.e. close to the key communication junctions in Poland. Total useable area of the complex amounts to above 10 thousand m², whereas the total area of the HELIO S.A. real estate in Brochów amounts right up to 72 thousand m², what provides wide opportunities for further development, and at the same time and at the same time it takes restrictions of the Company's development in future prospect.

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

The Management Board is composed of 2 persons and was formed on the day of establishing the Company.

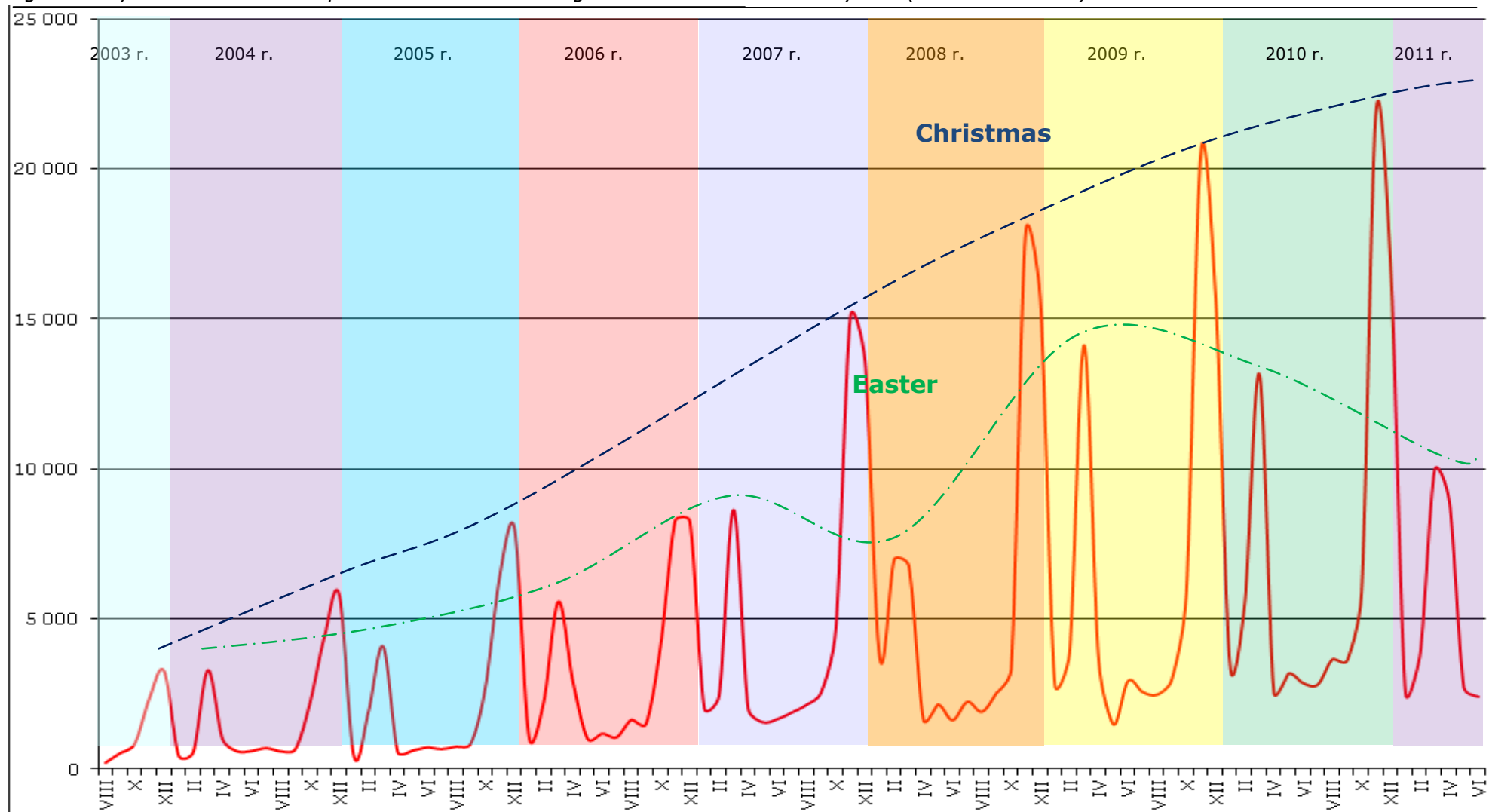
3. Discussion of the basic economic and financial values, revealed in the annual financial report and in particular the description of the factors and events, also of a non-standard nature, having a significant influence on the Company's activity and the profits or losses attained during the business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

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

Owing to the development strategy realized consequently, HELIO S.A. ended the consecutive year with record-breaking revenues from sales. In the business year 2010/2011 the Company reached revenues from sales amounting to PLN thousand 84,809 what means the increase by more than 5 % in relation to the prior business year. This increase is the more notable because until the new plant was started in Brochów, the Issuer's production capacity had been fully used, and thus the dynamics of sale increase was limited.

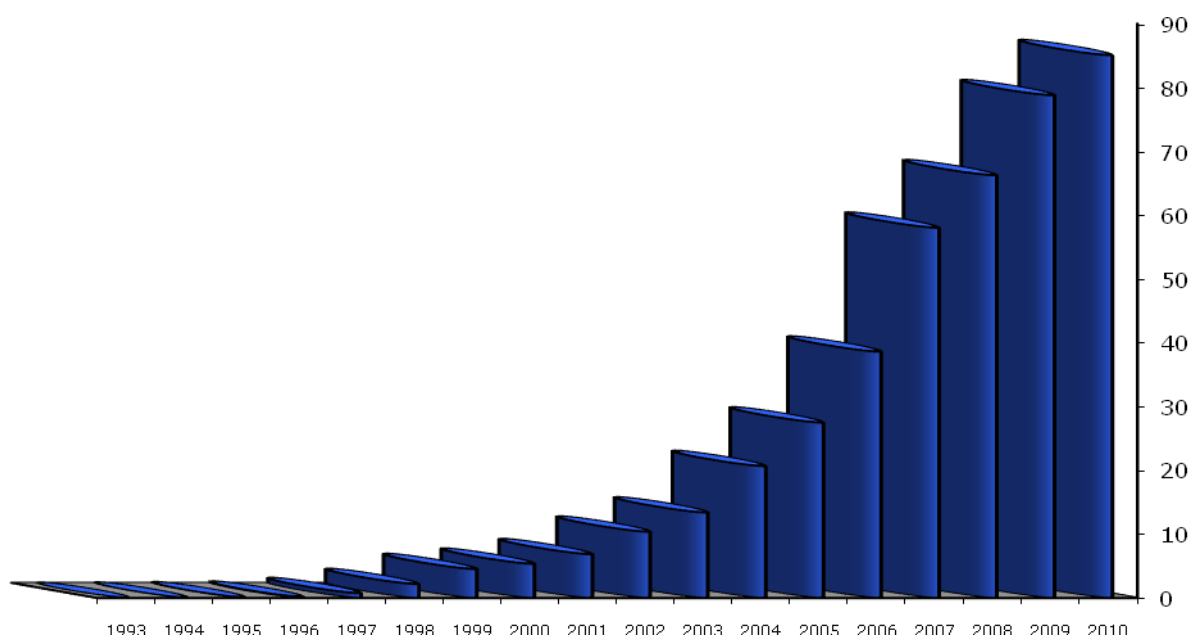
With respect to the seasonal nature of sale, characteristic for the Issuer's sector, it would be convenient to illustrate the company development by specifying the revenues from sale in corresponding months of particular years of the Company's activity (Figure 1). The analysis of such specification first of all allows notice a high increase in the obtained incomes in the holiday periods which are essential for the Company (Christmas and Easter), this increase coincides with the stable growing trend, observed from the beginning of the Company's activity (Figure 2). As an explanation, it shall be added that the deviation from the growing trend, which is visible on the first chart, in Christmas season in 2006 and Eastern season in 2008, 2010 and 2011, results from the non-standard arrangement of sale evenly into two months (between November and December 2006, February and March 2008 and 2010, and March and April 2011), and the usually dominating part of the holiday peak of sale falls only to one month. Such variances are not disturbing occurrence, but they result from arrangement of holidays in the given year and consequential time of accomplishment of supplies. With regard to the current business year it stated that extremely late Easter (the end of April 2011) caused that the greater part of before Easter sales than usual occurred just in the last quarter of the business year 2010/2011, and at the same time the results in the II half year divided steadily for the III and IV quarter of the business year, and not as usually, having its specific sales peak of the III quarter. Disturbance of the growing dynamics of sales in the III quarter of the last year is not an occurrence which is to be estimated negatively.

Figure 1: Dynamics of the enterprise's revenues covering visualization of calendar years (in PLN thousand)



Source: The Management Board of HELIO S.A.

Figure 2: Increase of revenues from sales in calendar years from the beginning of the enterprises establishment (in million PLN)



Source: The Management Board of HELIO S.A.

In the business year 2010/2011 the Issuer undertook a number of activities which were connected with single bearing the expenses, including first of all material selling costs (launching new products, activation of new distribution channels), indispensable to further dynamic development of the Company. These costs should be justifiable in results of future business years, though they decreased the net profit of the current reporting period to PLN thousand 2,295. IN the Management Board's estimation, the loss of dynamics of profit increase in the current business year is to be deemed as incidental as it was necessary to prepare the Company to continue the intensive development in future years, what the Issuer already explained earlier, both in periodic reports and in the prior report of the Management Board on the Company's activity. The detailed description of primary factors which had impact on to the financial results obtained by HELIO S.A. in the business year 2010/2011 is provided herein below.

Construction of the new plant in Brochów

Last year the Company experienced realization of the greatest investment project in the entity history, i.e. construction of the new warehouse-manufacturing-office complex in Brochów near Sochaczew. The referred investment will in jumping way increase supply opportunities of the Issuer just in the succeeding year, as well as reduce its costs through improvement of internal logistic activities and use of thermal energy up till then released unproductively while poppy mixes are

manufactured. Though the Company commissioned the new constructed plant in May 2011, it was delayed owing first of all to disadvantageous weather conditions (long and frosty winter of the year 2010, heavy rainfall in spring and summer of the year 2010), contractor's delays as well as slight design changes increasing efficiency of the new plant. The mentioned delay made start-up of the new plant in compliance to the original assumptions, i.e. in the first half of the financial year 2010/2011, thus decreased the entity's supply opportunities in Christmas and Easter key period to the trade, obstructing this year dynamics of the increase of revenues from sales. At the same time it is to emphasize that the completion of the investment project should in relatively short time reflect comeback to two-digit dynamics of revenue increase of HELIO S.A., exceeding the rate of market development.

The delay in commissioning the plant in Brochów determined also the necessity to bear additional selling costs, particularly connected with short-term rent of warehouse area, extension of rent duration of earlier facilities, keeping high costs of internal logistics, or bearing additional running costs (for example: heating, guard). After the investment project in Brochów had been completed, the Company gave up renting warehouse areas reducing its business activity to own premises in Brochów and Wyględy. The financial year 2010/2011 is to be deemed as a temporary period, and the expected benefits from the activities undertaken will appear in the financial result just of the succeeding accounting period.

Diversification of clients and activation of new channels of distribution

Considering the Company's sales poorly developed in the traditional channel, the Issuer made a decision purposing to develop its all-Poland commercial structures. Increased commercial department, in particulars, is to intensify sales in the traditional channel (warehouses and distributors). Last years the above distribution channels did not present Essentials position in the Issuer's structure of the sales, but activation of it is the natural consequence of the realized strategy of the Company's development.

Though the undertaken activities have already brought the expected results, including the increased share of the traditional channel in the Company's structure of the sales, what is presented herein below, it was connected with the necessity to bear costs of development of the Issuer's commercial department, as well as numerous marketing charges, which conditioned to enter cooperation with new customers. Though costs born individually were not high, in total they constituted material position in the selling costs. However, it is to notice that the incurred expenses are of single nature, and expansion in these distribution channel should in a short time bear fruits in a form of increased sales of the

Company's products, and at the same time, result in as the most effective as opportune use of the Issuer's growing up supply possibilities as well as further increase of diversification of its customers. Although, the sales in the above channel is scattered, activation of this channel reflects in wider presence of the HELIO brand products on the market, what has impact on to further increase of the Issuer's sales, strengthening awareness of the brand among the customers, as well as increase of diversification among the Company's customers. Ultimately, the Company assumes to obtain approximately 30-40 % of its revenues from sales in the traditional channel, i.e. similarly to the share of its channel in the market of nuts and dried fruits.

Introducing lines of new products

Following demand on the domestic market, HELIO S.A. systematically introduces on the market and shall continue to introduce on the market new products of the nuts and dried fruits and mixes/fillings to baking cakes group under the Issuer's brand. Among news launched in the financial year 2010/2011, first of all, it is to distinguish two lines of new products:

- Nuts and dried fruits of HELIO GOLD brand is specified with the highest class raw material as well as a packaging. It is the exclusive product directed to more affluent society created mainly as healthy snack. This range takes aim at the niche of the nuts and dried fruits market, not utilized up till now, and owing to that it holds promises of quick development in its segment. Taking into consideration its luxury nature, the referred range should be typed with high margin from the sales, but necessity of incurring of expenditures for launching the product on to the market, as well as its promotion, made that measurable financial profits will be visible not before the succeeding financial year.

However it is worthy the fact that promoting the HELIO GOLD brand it already succeeded to obtain the assumed effect of synergy for other Issuer's manufacture brands, reflecting in increasing awareness of the Helio brand, and thus strengthening market position of all products assigned with manufacturer's brand. Though it is present on the market for short time, the product of HELIO GOLD series has already been honoured with prestige Statuette of SUPERPRODUCT of Woman's World 2010 ["SUPERPRODUKT Świata Kobiety 2010"].

- Caramel mixes (fillings) of the HELIO brand of innovative as well as coherent stylistics of packaging to the HELIO poppy-seed mixtures, which are the most popular on the market. Notified real demand for the referred product and strong awareness of the HELIO brand in the target group of the product is reflected in immediate popularization of them on the market, particularly in

holiday (Christmas/Easter) seasons, what proves even the prestige distinction in FMCG Pearls of the Market [“Perły Rynku FMCG”] competition in the products for baking cakes category, awarded the most successful news last year.

Though the above specified lines of products fulfill the assumed goals of sales, it is to remember that this stage of a product life requires high expenses to inform potential customers on existence of a product as well as its bringing “on to a shelf”, at the same time when sales is lower than at the final level. Thus, last year high expenses were borne for promotion and distribution of the new products, what shifted on to considerably higher selling costs. According to the Issuer’s estimation, the stage of launching the referred products should be ended as of the end of the financial year 2010/2011, after which it will move into a stage of increase, when increase of sales occurs the fastest, causing reduction of unit costs of manufacture and promotion, as well as further increase of the market. Thus, in the management Board’s estimation effects of the undertaken activities will be noticeable in the succeeding business year.

Price increase of raw materials

Price increase of the raw materials had negative impact on to obtained level of profits from sales of some products. Though the Company negotiated the prices of sold products with their customers, it was the process stretched in to the time, but it temporarily had negative impact on to the value of sales margins obtained by the Company, what was especially painful in before Christmas and Easter periods, the key ones from the Issuer’s point of view.

Intensification of marketing activities.

Last year the Company also intensified its marketing activities supporting the sale of products under the Issuer’s make/brand, including the new line of nuts and dried fruits of HELIO GOLD brand. The Company promoted its products in the greatest all-Poland TV stations close to programmes of the highest watchability in the target group (TV campaign for HELIO GOLD products and campaign for HELIO poppy mixes), and also in popular women’s vademecum magazines of luxury and life-style nature, in trade magazines, in Internet technical portals, etc. Appropriate selection of media and time of emission reflected in high parameters of effects of promotion campaigns, including in particulars high watchability and readership. Furthermore, the Company undertook also a number of activities aiming to promote products in places of sales, including *inter alia* tasting, promotional shelves. Carefully thought out variety of promotional activities, and at the same time complexity and cohesion of such activities with the Issuer’s marketing strategy, undoubtedly contributed to hit the message and to strengthen it both among hitherto and opportune

clients, and improved the Issuer's image and familiarity of its brand in longer time horizon, as well.

Development of the market of nuts and dried fruits

The market of nuts and dried fruits in Poland is currently characteristic a few percentage development dynamics (5-10% yearly). One of the main factors having impact onto increasing sale quantity of nuts and dried fruits is general popularization of sweetmeats among Poles, who more frequently perceive nuts and dried fruits in wider aspect not only as an irreplaceable ingredient of holiday dishes. Such trend is a natural change of consumers' habits of the Poles resulting from implementation of diet western European and Mediterranean habits into the Polish diet. For the above reasons the Company made a decision, among others, to launch last year a new line of nuts and dried fruits assigned with HELIO GOLD brand, what is described herein above. The increase dynamics of the Issuer's revenues from sales matched the dynamics of market development, thus, in the Management Board's estimation, it allowed keep the Company's leading position on the domestic market. Rich experience, strong position on the domestic market and taking supply restrictions resulting from commissioning the new plant in Brochów constitute the basis of propitious forecasts for development of the Company above the development rate of the market in future years.

Employment

Due to the activities in scope of human resources management in the prior business year, the Issuer in the financial year 2010/2011 had difficulties neither with completion of production team, nor with burdensome employment fluctuation. Besides, the Issuer's competitive position on the local employment market underwent significant improvement in connection with the perspective of opening the new plant in Brochów. That fact influenced on further activation of new groups of workers residing areas more away from the hitherto seat of the Company, for which unemployment rate is higher (first of all in the sochaczewski administrative district). Taking the above into consideration, the Issuer increased a level of employment, what allowed both to eliminate costly work of production workers in overtime in the peak season, and to prepare trained background of the staff to the new plant in Brochów. Last year the Company, during that time, increased employment within non-production employees, including in particulars employees of the commercial department connected with activation of the traditional distribution channel.

Table 1: *Employment in the HELIO S.A. Company*

Business year	The average number of the employees
2009/2010	133
2010/2011	164

Source: The Management Board of HELIO S.A.

Table 2: *Unemployment rate in administrative districts of the Issuer's hitherto location and the new plant*

Administrative district	warszawski zachodni	sochaczewski
June 2010	5.5%	10.2%
June 2011	5.7%	10.6%

Source: Central Statistical Office (GUS)

To summarize, the business year 2010/2011 abounded in non-standard factors, which incidentally influenced on to the net result of HELIO S.A. in the current reporting period. Majority of these events resulted from the necessity „to invest” in further development of the Company, what complies with the Issuer’s earlier declarations and its development strategy. Therefore, the activities taken are to evaluate within longer time horizon, as measurable effects of them will be noticeable just from the future financial year.

The perspectives of development

Within at least the nearest business year the Company is planning to continue the hitherto assumed strategy of development. In this period there should be noticeable positive effects of moving the business activity from hitherto rented locations to the new manufacturing-warehouse complex in Brochów, what should first of all reflect in the increased level of revenues from sales and EBITDA profit in connection with reduction of operating costs resulting from optimization of internal logistics and reduction of rental costs for warehouse areas. However, it is to consider the increase depreciation and financial costs resulting from repayment of interest on the investment credits.

Moreover, the increased production and warehouse capacity of the Issuer created also capability for further penetration of the domestic market in the market segment of nuts and dried fruits directed straight towards the final consumer (B2C), as well as development 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.).

Department involved in activation of segment B2B will commence its job just within the space of the first quarter of the future business year, and according to the Management Board's expectations, it should generate at least a dozen or so million zlotys of additional revenue from sales just in the first year of its activity. However development of this segment, is not only perspective of increased revenues from sales, but also betterment of inventories rotation and benefits of scale resulting from the increased purchases. 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.

Moreover, the Company will still try to level disadvantages resulting from the seasonality of the trade through intensification of sales of more and more popular snack nuts and dried fruits, and nuts and dried fruits applied for cooking purposes in daily menu, and not only as an irreplaceable ingredient in Christmas dishes. At the same time, the Issuer will intend to take use of favourable trend of a natural change of consumer's habits of the Poles resulting from implementation of diet western European and Mediterranean habits into the Polish diet.

Thus, the succeeding business year show Promise with regard to high Dynamics of revenues from sales and betterment of profits, as well. However, taking into consideration strong seasonality of the Issuer's trade, the effects will first of all be noticeable in results of II and III quarter of the business year 2011/2012.

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, constant expanding of the range of products, as well as improvements to the manufacturing infrastructure.

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, 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.

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 business year 2010/2011 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 satisfying the needs of 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. Due to the above reasons, the Company undertakes a number of activities within human resources field, including among others: long-service pays, incentive bonuses, etc.

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

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 other 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, owes directly 3,857,000 of the Issuer's 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.

5. Information on proceedings pending before the court, the authority competent for arbitrary proceedings or before the authority of public administration.

In the period covered by the present report the Company was a party in no judicial proceedings in which single or total value would constitute at least 10% of the Issuer's equity capital.

6. 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 (also in mixes, such as: fruit mix, "student's" mix, nut mix, tropical fruit mixture or sweetmeats mix) as well as manufacturing of mixes (fillings) for baking cakes (poppy-seed mixture, caramel mixes) distribution thereof are the field of activity of HELIO S.A. Position of the referred brands on the domestic market is stronger and stronger, what can be proved by the results of market researches reports provided hereinafter, as well as prestigious awards granted within the space of last year: Consumers' Golden Laurel 2011 ["Złoty Laur Konsumenta 2011"] in the baking additives category [dodatki do pieczenia], Consumer's Laurel – Top Brand 2011 ["Laur Konsumenta – Top Marka 2011"] in the nuts and dried fruits category and Consumers' Golden Laurels ["Złote Laury Konsumenta"] and Consumers' Laurels – Grand Prix ["Laury Konsumenta – Grand Prix"] in the garnish category [dodatki do ciast], Statuette of Superproduct of Woman's World 2010 ["Superprodukt Świata Kobiety 2010"] in the food – sweets category, or distinctions in such competitions as Statuette of FMCG Pearls of the Market [statuetka "Perły Rynku FMCG"] in the baking additives [dodatki do pieczenia] category, or "Gold receipt – Polish Merchants' Award" ("Złoty Paragon – Nagroda Kupców Polskich") in the leader seller category – semi-products, products for baking cakes, the nuts and dried fruits.

Brands of the Company

Nuts and dried fruits

The Company offers the products under the Company's brands well-known in their target group, which includes: "HELIO", "Słoneczne Owoce". In the last year the Company made a decision to launch additionally on to the market a new line of nuts and dried fruits assigned with the HELIO GOLD brand. Launching of this range was based on analysis carried out by the Company proving that the most of clients search nuts and dried fruits of premium class, however in the clients' opinion on the market there are merely classes pretending to such name, but the clients are of the opinion that in fact they do not leave the frames of average segment. Guaranteeing visible to the client difference through selection of the highest class raw material and a packing, and at the same time, taking use of a trend of increasing interest in snack nuts and dried fruits, the Issuer decided to fill the niche of the nuts and dried fruits market, not utilized up till now. Therefore, the nuts and dried fruits of HELIO GOLD brand is an exclusive product

directed to more affluent society created mainly as healthy snack. For that purpose the Company undertaken numerous promotional activities aiming popularization and building awareness of the trade, including among others: press campaigns conducted in cooperation with a famous dietician (first of all luxury, women's and life style magazines), television campaign, public relation activities in electronic and printed media, numerous consumer's promotions, tasting in points of sale, or POS and BTL materials. Complexity and coherence of the activities conducted purposed to build in relatively short time strong and required brand on the market. Necessity of incurring of expenditures for launching the product on to the market, as well as its promotion made that measurable financial profits will be visible not before the succeeding financial year. However, it is worthy the fact that promoting the HELIO GOLD brand it already succeeded to obtain the assumed effect of synergy for other Issuer's manufacture brands, reflecting in increasing awareness of the Helio brand, and thus strengthening market position of all products assigned with manufacturer's brand. Though it is present on the market for short time, the product of HELIO GOLD series has already been honoured with prestige Statuette of SUPERPRODUCT of Woman's World 2010 ["SUPERPRODUKT Świata Kobiety 2010"], and revenues from sales of HELIO GOLD in the financial year 2010/2011 constituted approximately 13 % of revenues from sales of nuts and dried fruits assigned with manufacturer's brand of the Company, what is a result which matches the Issuer's primary assumptions.

Mixes/fillings for baking cakes

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 the GfK Polonia the Issuer's sale for a period: January-December 2010, sales of the Issuer constituted above the half of the market of poppy-seed mixtures. Thanks to the activities undertaken, the HELIO poppy-seed fillings are very popular and recognizable. In the business year 2010/2011 the sale of the fillings was additionally intensified by the image television campaign both in the Christmas and the Easter period. It is worth to notice that the HELIO poppy mix obtained the great es number of among nut and dried fruits companies in the competition: "Gold receipt - Polish Merchants' Award" ("Złoty Paragon - Nagroda Kupców Polskich") in the leader seller category - semi-products, products for baking cakes, the nuts and dried fruits. The aim of the competition was to select the products, which in particular way last year influenced on to development of retail trade in Poland and distinguished with the greatest competitiveness on the market.

Moreover, pursuant to the expectations placed by the clients, before the Christmas in the year 2010 the Company widened the mixes for baking cakes category with a new line of caramel mixes (fillings) of the HELIO brand of

innovative as well as coherent stylistics of packaging to the HELIO poppy-seed mixtures, which are the most popular on the market. Notified real demand for the referred product and strong awareness of the HELIO brand in the target group of the product should be reflected in immediate popularization of them on the market, particularly in holiday (Christmas/Easter) seasons. Though it was on the market for a short period of time, the product met with great consumers' interest, what proved prestige distinction in FMCG Pearls of the Market [“Perły Rynku FMCG”] competition in the products for baking cakes category, awarded to the most successful new in the last year. It is worthwhile to notice, that its was just the succeeding year, when the Company's product were included into a group of leaders of this category, what shows the right taking of clients' necessities by the Issuer.

Though the above specified lines of products fulfill the assumed goals of sales, it is to remember that this stage of a product life requires high expenses to inform potential customers on existence of a product as well as its bringing “on to a shelf”, at the same time when sales is lower than at the final level. Thus, last year high expenses were borne for promotion and distribution of the new products, what shifted on to considerably higher selling costs. According to the Issuer's estimation, the stage of launching the referred products should be ended as of the end of the financial year 2010/2011, after which it will move into a stage of increase, when increase of sales occurs the fastest, causing reduction of unit costs of manufacture and promotion, as well as further increase of the market. Thus, in the management Board's estimation effects of the undertaken activities will be noticeable in the business year 2011/2012.

Own brands of super- and hypermarket chains

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. regularly increases also volume and spectrum of assortments delivered under the own brands of super- and hypermarkets (so called private labels), including among others, to Auchan, EKO Holding, E.Leclerc, Intermarche, JMD “Biedronka”, Makro C&C, Netto, Real, TESCO. It is the great success for the Company, though the margin on the referred sale is lower in comparison to the sale under the manufacturer's brand, additional costs for promotion are not required, as well as positive relations with purchase departments of the greatest super- and hypermarkets in the country are built. As the share of *private labels* is high in majority of the FMCG market category, including nuts and dried fruits, the Company, last year, took the advantage for its chance for further extension of the grades in the referred product group, what was reflected what was reflected in the increase of them in structure of the Issuer's revenues by 5% (figure 3). Subsequent development of a group of these

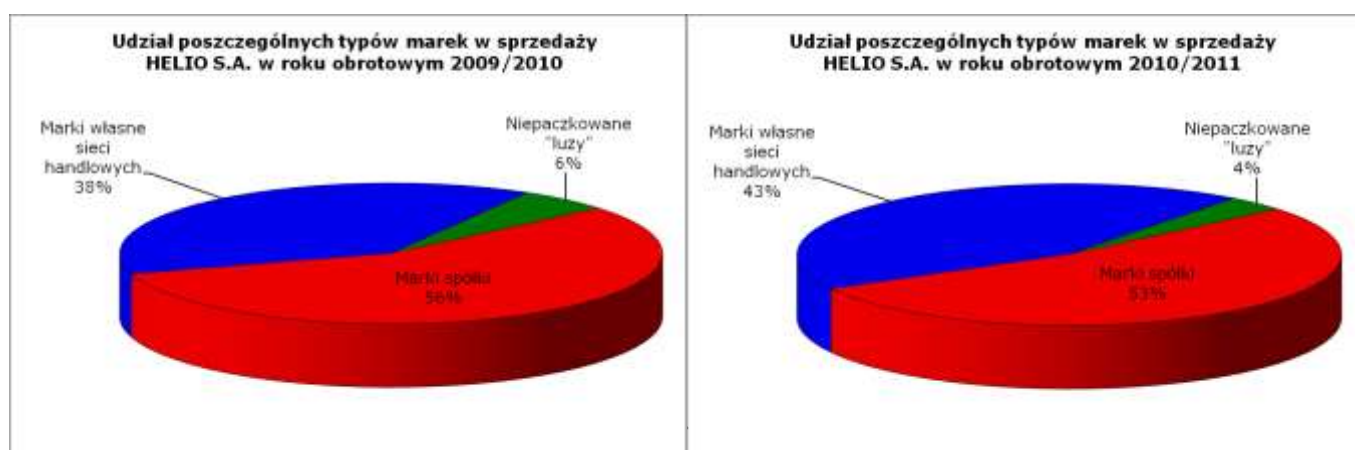
products seems to be unavoidable for reasons of future of the increase of shares of own makes of merchant chains on the market of nuts and dried fruits.

Unpacked nuts and dried fruits

The Company supplies also nuts and dried fruits unpacked 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. The share of these type products in the Issuer's sales systematically drops (-2% in comparison to the prior year). It is worthwhile to notice that in the succeeding year, in connection with the increased supply opportunities of the Company, the Issuer plans dynamically to develop sales of unpacked nuts and dried fruits but to another segment than hitherto. Up till now the entire sales of unpacked nuts and dried fruits was executed only for final consumers (segment B2C) through the modern channel (super- and hypermarket chains), but from the future financial year the Issuer assumes to develop the sales also in segment B2B, including among others to cake shops, bake-houses, manufactures of sweets.

Structure of revenues from sale of the above three groups of nuts and dried fruits presents figure 3. Changes, which happened in the structure corresponding with the trends ruling in the Issuer's trade, what proves the right selection of the Company's offer matching the market necessities.

Figure 3. *The share of the nuts and dried fruits brands in the obtained sale incomes of the Company*



Source: The Management Board of HELIO S.A.

Udział poszczególnych typów marek w sprzedaży Helio S.A. w roku obrotowym = The Share of particular types of brands in the sales of Helio S.A. in the business year

marki własne sieci handlowych = own brands of commercial chains

niepaczkowane "luzy" = unpacked "loose goods"

marki spółki = brands of the company

Considering the assortment structure of the sales, it is not subject to any significant changes in relation to the previous business year. 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 puppy fillings are characteristic of the highest seasonal incidence, they by far consists a crucial position in the revenues generated by the Issuer at a level of 17%, i.e. the same one as in the prior year.

Table 3: *Asortyments in the Issuers sales*

Nuts, including among other things:

- ✓ peanuts
- ✓ brazilian
- ✓ hazelnuts
- ✓ almonds
- ✓ blanched almonds
- ✓ minced almonds
- ✓ cashew
- ✓ pecan
- ✓ pinie
- ✓ pistachio nuts
- ✓ almond flakes
- ✓ desiccated coconuts
- ✓ walnuts

Dried fruits¹, including among other things:

- ✓ candied pineapple
- ✓ dried pineapple
- ✓ dried apricots
- ✓ banana chips
- ✓ dates
- ✓ figs
- ✓ dried mango
- ✓ dried apricot
- ✓ papaya
- ✓ raisins
- ✓ orange zest
- ✓ candied orange zest
- ✓ California plums
- ✓ cranberries

Grains and seeds, including among other things:

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

Mixes/filling for baking cakes:

- ✓ poppy mixes
- ✓ kutya
- ✓ caramel mixes

Source: The Management Board of HELIO S.A.

¹ Dried fruits and others

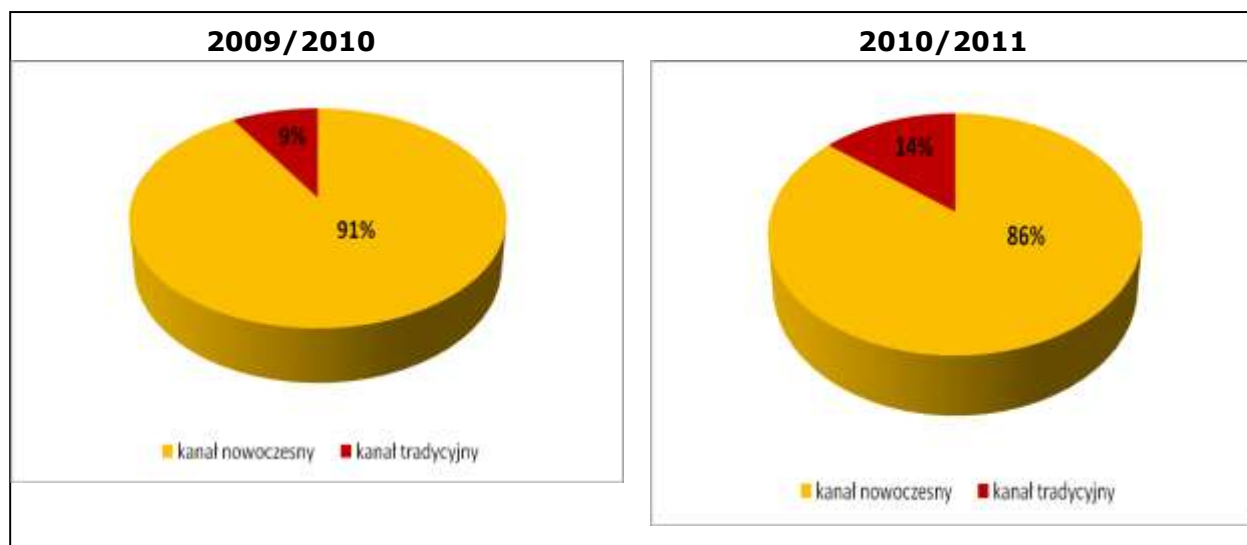
7. Information about the markets with respect to the division into the domestic and foreign markets and the information about the supply sources of production materials, goods and services specifying the dependence on one or more buyers and suppliers, and in case when the share of one buyer or supplier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

Clients

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. In the financial year 2010/2011 super- and hypermarkets, i.e. the modern channel (figure 4) were dominating share in the Company's share. In order to limit the dependence on the individual clients, the Company concluded agreements with the major worldwide trade chains as well as distributors operating in Poland. The major clients purchasing the Issuer's products in the business year in concern were such chains as follows: Auchan, Carrefour, JMD "Biedronka", Kaufland, Real and Tesco, and more than 10-percentage share in Issuer's total revenues from sale obtained Jeronimo Martins Dystrybucja S.A., (28%), Tesco Polska Sp. z o.o. (13%) and Carrefour Polska Sp. z o.o. (12%). The Issuer is connected with the significant clients due to concluded agreements on cooperation.

Hitherto structure of customers resulted from the limited supply opportunities, which caused that in last years the Company did not engage itself into intensification of sale in the traditional channel (warehouses, distributors, smallshops). Taking into consideration poorly developed sales of the Company in the traditional channel, in the business year 2010/2011 the Issuer undertook activities purposed to develop its all-Poland trade structures. The increased Last years the above distribution channels did not present Essentials position in the Issuer's structure of the sales, but activation of it is the natural consequence of the realized strategy of the Company's development. Though the undertaken activities have already brought the first effects expected, what is proved by the increased share of the traditional channel in the Company's structure of sales (Figure 4), ultimately the Company assumes to obtain approximately 30-40 % of its revenues from sales in the traditional channel, i.e. similarly to the share of its channel in the market of nuts and dried fruits. After the Management Board's estimate the traditional channel is just approximately 40% of the market of nuts and dried fruits in Poland, thus intensification of sale in the referred channel will ensure the Company further opportunities of dynamic development and greater diversification of the Issuer's customers.

Figure 4. Structure of sale by clients in the financial year 2009/2010 and 2010/2011



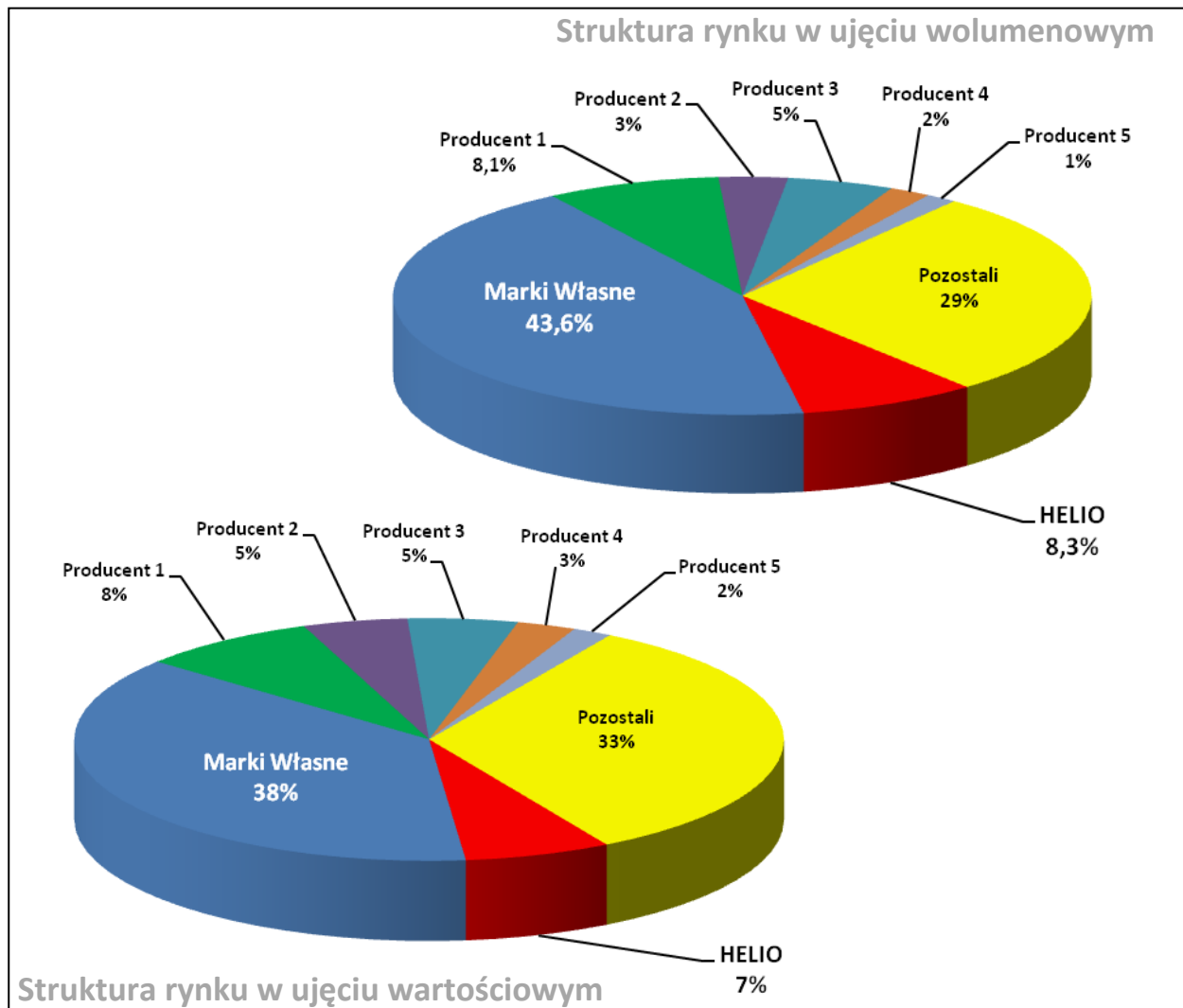
Source: The Management Board of HELIO S.A.

kanał nowoczesny = modern channel
kanał tradycyjny = traditional channel

The Issuer's trade

Currently, the market of nuts and dried fruits in Poland is specified with highly dynamics of development. One of the main factors of impact onto growing up quantity of sold nuts and dried fruits is general popularization of them among Poles, who more and more frequent perceive nuts and dried fruits within wider context than the only product as an irreplaceable ingredient in Christmas dishes. Such tendency is a natural change of consumer's habits of the Poles resulting from implementation of diet western European and Mediterranean habits into the Polish diet. Though, the dynamic increase of popularity of nuts and dried fruits has been noted for number of years, this market is still perspective, although it is still of seasonality of sales in before Christmas and Easter periods.

Figure 5: Volume and value shares of particular brands in the market of the packed nuts



and dried fruits in Poland in the period 01.01.2010 – 31.12.2010 Source: GfK Polonia Sp. z o.o.

Struktura rynku w ujęciu wolumenowym = Structure of the market in volume depiction

Struktura rynku w ujęciu wartościowym = Structure of the market in value depiction

Producent = Manufacturer

Marki własne = Own brands

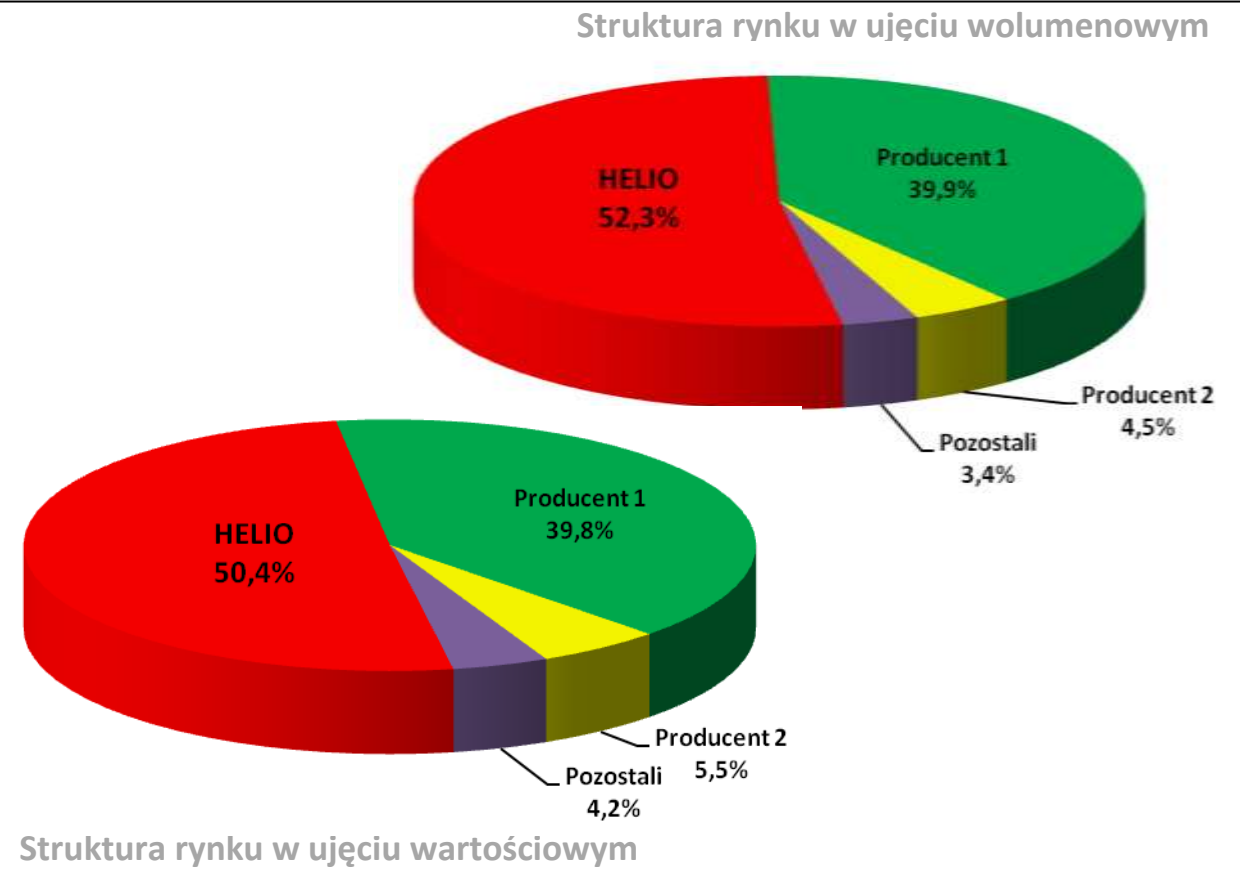
Pozostali = Others

Specifying the market of nuts and dried fruits in Poland it is also worth to notice the growing demand for products of brands of own commercial chains. Basing on GfK Polonia data (Figure 5), the Share of them in the market of nuts and dried fruits in the calendar year 2010 increased by 7 percentage points to the prior year (both in value and quantitative depiction). High share of own brands is specific for the greater part of the FMCG markets. Is worthwhile to remember that the Company sells also products under brands of their clients, what means that the Company has significant share also in a part of market of pre-packed nuts and dried fruits. Considering significant demand for products of own brands,

the Issuer permanently undertakes activities for regular increase of assortments as well as quantities of sold nuts and dried fruits under *brands* of the Companies clients.

Taking the above into consideration, it is estimated that the domestic market of nuts and dried fruits develops at approximately 5-10% rate yearly. Thus, last year dynamics of the increase of the Issuer’s revenues from sales matched the dynamics of the market development, and at the same time, in the Management Board’s estimation, it allowed to maintain the position of the Company on the domestic market. As the structure of sales of HELIO S.A. (Figure 3) and the results of market researches carried out by GfK Polonia (Figure 5) show, the Issuer flexibly adjusted its offer to the market needs, increasing the share of own brands in its revenues from sales. At the same time, the Company has kept the leader position of sales volume on the market of packed nuts and dried fruits under the manufacturer’s brand, and a vice-leader in the value apprehension.

Figure 6: Volume and quantitative share of particular brands in the market of nuts and dried fruits in Poland in a period: 01.01.2010 – 31.12.2010



Source: GfK Polonia Sp. z o.o.

Producent = Manufacturer

Pozostali = Others

Struktura rynku w ujęciu wolumenowym = Structure of the market in volume depiction

Struktura rynku w ujęciu wartościowym = Structure of the market in value depiction

HELIO S.A. has also maintained the position of unquestionable leader in the poppy mixes category having control over above the half of this market (Figure 6). The essential role in building the competitive predominance of the Company is systematical increase of accessibility of the Issuer's products in commercial points, including penetration of the traditional channel, as well as conducting marketing activity, which distinguishes the Issuer in the trade, including public relation activities, advertisement campaigns, promotional sales, etc. Rich experience in the trade, strong position on the domestic market and taking the Issuer's restrictions in supply (commission of the New plant in Brochów in May 2011) provide the basis for successful forecasts of the Company's development exceeding the development rate of the market in the succeeding years.

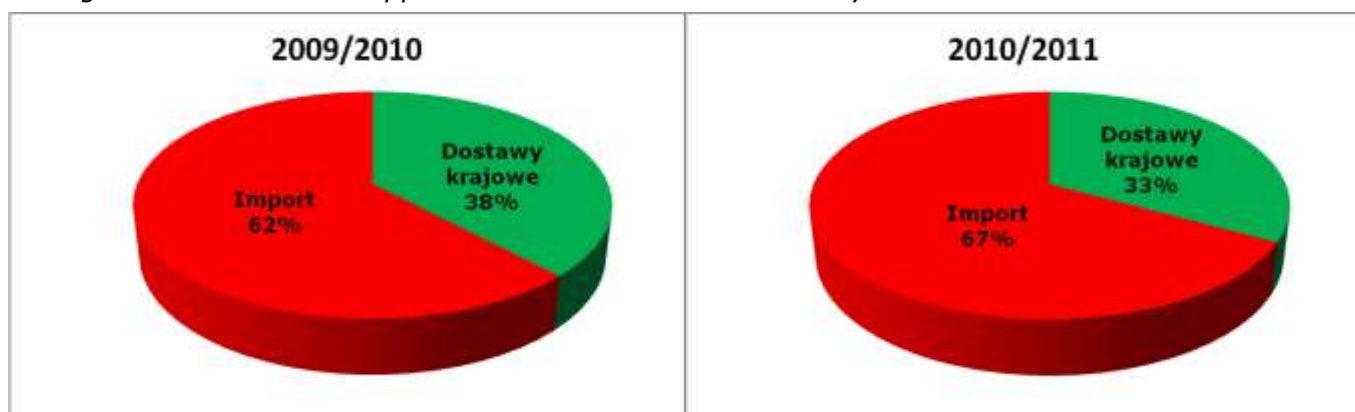
In the business year 2010/2011 the Issuer delivered its products also to the foreign clients. The export constituted only a slight pro-mile of the total incomes from of the Company's sales. After all, taking into consideration the increase of the Issuer's capability, next year the Company assumes to increase the sales on to the foreign markets.

Moreover, the increased production and warehouse capacity of the Issuer's new complex in Brochów created also capability for development of quite new segment in Helio S.A. economic activity 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.). The department involved in activation of this segment will be established just in the space of the first months of the next financial year, and according to the expectations of the Management Board it should generate at least a dozen or so of additional revenue from sales just in the first year of its activity. However development of this segment, is not only perspective of increased revenues from sales, but also betterment of inventories rotation and benefits of scale resulting from the increased purchases.

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. In the business year 2010/2011 the Issuer was increasing own import thus diversifying the supply sources (figure 7). Owing to such a solution the Company is not dependent on its major suppliers.

Figure 7. Structure of supplies in current and last business year



Source: The Management Board of HELIO S.A.

Main import directions in the business year 2010/2011 covered the following countries: Argentina, Bulgaria, Chile, China, Czech Republic, Greece, Netherlands, India, Iran, Turkey, USA. Payments from import liabilities were cleared first of all in American dollars (USD), euro (EUR) and Czech koruna (CZK).

8. Information about concluded agreements relevant to the activity of the Issuer including the agreements which are familiar to the Issuer and which are 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, all-Poland distributors, local wholesales, 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 (Carrefour Polska Sp. z o.o., Jeronimo Martins Dystrybucja S.A., Tesco Polska Sp. z o.o. and MGB Metro Group Buying Polska Sp. z o.o. and Spółka Sp. K. both with the represented thereby companies Makro Cash and Carry Polska S.A. and Real,- Sp. z o.o. and Company Sp. K.) 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 agreements determine the general terms and conditions of cooperation, including detailed settlements

within terms and conditions of supplies and placing orders, forms and terms of payments, granting rebates, discounts, premiums (dependent on obtaining a particular turnover volume, calculated on particular commodities, for providing logistic, marketing, etc. services) to the Issuer's customers, payment of contractual penalties by the Issuer in case of non-performance or inadequate performance of the contractual provisions, as well as duration of a particular agreement, ways and conditions of its termination. The agreements in concern are concluded for unlimited period of time, or they are automatically yearly renewed.

Moreover, within the business year 2010/2011 the Company was also a significant party from the perspective of the Issuer's activity in the agreement for construction works. The referred agreement was concluded on 15 April 2009 between HELIO S.A. (the Investor), and Krzysztof Mieciek running the business activity under a name: "Metalplast Budownictwo Krzysztof Mieciek" seated in Warsaw (the Contractor). A subject-matter of the agreement is construction of a warehouse-manufacturing-office complex on the Issuer's real estate located in Brochów. The time of execution of the investment was scheduled up till 31.08.2010. The Issuer will pay the Contractor for performance of the subject matter of the agreement a remuneration of total amount of PLN 11,956,463.84 PLN net, and other terms of the agreement do not diverge from the terms commonly applied in this kind of agreements. Just to give explanation, it is to add that it was not the only one agreement to execute the above specified facility, but the only one significant in understanding of the Regulation of the Minister of Finance on current and interim reports provided by the Issuers of securities and on the conditions of acknowledging the equivalence of information required by laws of a non-member country. The company: "Metalplast Budownictwo Krzysztof Mieciek" was not the main contractor, but the one of a few contractors of the referred investment.

Within the business year 2010/2011 the Company was a significant party from the perspective of the Issuer's activity in the credit agreements. In order to avoid repeating the information, the agreements in concern were presented in position 11 of this report.

Moreover, the Company annually renews the insurance agreements on the grounds of:

- civil liability arising out of the running of the activity and possessing property as well as launching the product into market trading,
- 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,

- insurance against construction risks (connected with the above mentioned construction of the warehouse-manufacturing-office complex in Brochów).

The insurance agreements guarantee the Company's stability, whereas the total proportion of the contributions does not exceed 10% of the revenues from the Company's sales, thus it does not deem the agreements as significant ones.

9. 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 realized outside its group of affiliated entities and description of method of financing them.

Within the space of the business year 2010/2011 the Company did not effect any capital investments.

In the referred period, first of all, the Issuer incurred investment expenditure for construction of the new warehouse-manufacturing-office complex on the Company's real estate located in Brochów. The new manufacturing-warehouse-office facility commissioned in May 2011 will primarily influence the increase of the manufacturing capacity of the Company. In spite of economic advantages arising from the growing scale of production, the building of a big manufacturing plant with impressive warehousing infrastructure will allow to carry out significant savings in the framework of the logistic activities, as well as improvement of the Company's competitiveness.

Besides, in the past year the Issuer developed also its manufacturing infrastructure, including machinery and equipment and fork lift-trucks dedicated to the new plant in Brochów, moreover the Issuer also incurred expenditures connected with implementation of computer systems purposed to effective management of warehouse administration. Moreover, in the financial year 2010/2011 the Issuer widened its car fleet, first of all due to the material increase of workers employed in the sales department dedicated to the traditional channel. With regard to intangible assets, the Company also incurred the expenses to promote its products, including among others for production of advertisement films.

Table 4: *Investment expenditures of HELIO S.A. in the business year 2010/2011*

Specification	Financing sources	
	Expenses – own means (in PLN thousand)	Expenses – own means (in PLN thousand)
Lands and the right of perpetual usufruct	-	-
Buildings and offices	-	'7,421
Machines and devices	104	'1,825
Vehicles	588	202
Intangible fixed assets	24	65
Equipment	134	974
Capital investments	-	-

Source: The Management Board of HELIO S.A.

The Company has neither organizational nor capital relations with other entities.

10. Information on significant transactions contracted by the Issuer or a subsidiary with affiliated entities on terms other than market terms, providing their amounts and information providing specification of such transactions

In the period of the last business year HELIO S.A. effected no significant transactions with an affiliated entity on terms other than market terms.

11. Information on agreements concerning loans and credits contracted and terminated in the given business year, providing at least their amount, type and value of interest rate, currency and maturity dates

Within the business year 2010/2011 the Company was a party in the following credit agreements:

- The multi-purpose multi-currency credit line agreement concluded on 11th August 2008, including the later alterations concluded between the Company (the "Debtor") and Bank: BPH S.A. seated in Cracow (the "Bank") – the Bank granted the Debtor a credit in a form of a multi-purpose multi-currency credit line up to the equivalent of PLN 10,000,000. The credit was granted to the Company in a form of a facility in a current account amounting to a sum not higher than PLN 6,000,000 as well as non-revolving working capital-facility up to a sum of PLN 4,000,000. The Bank collected interest on the effected credit amount by 1M WIBOR changeable interest rate increased by the Bank margin. Crediting period: up till 27 September 2011 relating to the loan in the current

account as well as up till 31.03.2011 with regard to the non-revolving working capital-facility.

- The facility agreement in a current account concluded on 26 August 2009 between the Company (the "Debtor") and BNP Paribas Polska S.A. earlier Fortis Bank Polska S.A. seated in Warsaw (the "Bank") the Bank granted the Debtor the facility in the current account up to maximal limit up to PLN 5,000,000. The Bank collected interest on the effected credit amount by 1M WIBOR changeable interest rate increased by the Bank margin. Crediting period up till 23 August 2011.
- The non-revolving credit concluded on 11 August 2008 between the Company (the "Debtor") and Fortis Bank Polska S.A. seated in Warsaw (the "Bank") as amended – the Bank granted the Debtor the facility in the current account up to maximal limit up to PLN 14,000,000 with its appropriation to finance up to 80% of net expenditures of the investment project consisting in performance the Debtor's new seat, including acquisition of a land real estate, renovation of warehouse buildings and construction of office-warehouse structures located in Brochów near Sochaczew, providing that the financing granted by the Bank shall not cover the acquisition of the land real estate. Duration of the credit use is up till 28 February 2011. Grace period for the credit repayment is up till 28 February 2011. The Bank collected interest on the effected credit amount by 1M WIBOR changeable interest rate increased by the Bank margin. Crediting period: up till 29 June 2018.

Agreement for the investment credit of 16 July 2010 including the later alterations concluded between the Company (the "Debtor") and Bank: BPH S.A. seated in Cracow (the "Bank") – the Bank granted the Debtor the investment credit for the amount of PLN 3,150,000 purposed to acquire fixed assets (machinery, equipment). Duration of the credit use is up till 30 June 2011, and repayment of the credit beginning from 31 July 2011. The Bank collects interest on the effected credit amount by 1M WIBOR changeable interest rate increased by the Bank margin. Crediting period: up till 15 July 2013.

Within the business year 2009/2010 the Company neither concluded nor terminated loans.

12. Information about the loans granted in the given business year taking into particular consideration the loans granted to the affiliated entities of the Issuer, providing at least their amount, type and value of interest rate, currency and maturity dates

In the business year 2010/2011 HELIO S.A. granted no loans.

13. Information about the warrants and guarantees granted and obtained in the business year, taking into particular consideration warrants and guarantees granted to the affiliated entities of the Issuer

In a period covered by the report, the Company obtained no guarantees, however it granted the following guarantees:

- the tripartite Agreement concluded on 11.06.2010 between HELIO S.A. (the "Guarantor"), and Metalplast Budownictwo Krzysztof Mieciek seated in Warsaw (the "Debtor") and GEA Klimatyzacja Sp. z o.o. seated in Wrocław (the "Creditor"), on which base HELIO S.A. takes over the Debtor's financial liabilities up to a sum of PLN 806,002.27, and at the same time is obliged to pay directly for the benefit of the Creditor the amounts resulting from invoices issued correctly and in compliance with the Agreement, when the Debtor fails to effect the term payment for execution of the Agreement concluded between the Debtor and the Creditor for purchase of ventilation equipment for necessities connected with performance of the Agreement for construction works concluded between the Debtor and HELIO S.A. on 15.04.2009 including the later amendments In the case specified above, the remuneration due to the Debtor from HELIO S.A. on the grounds of the Agreement for construction works concluded between the Debtor and HELIO S.A. on 15.04.2009 including the later amendments will be deducted by a sum amounting to the value of invoices paid directly by HELIO S.A. for the benefit of the Creditor. The Issuer is not the entity connected with other parties of the guarantee. As the Debtor paid any and all payments, the Issuer's pledge has expired.

In the period covered by the present report HELIO S.A. granted no guarantees, however the Company was given the following guarantees:

- The bank guarantee of 01.07.2010 granted by Raiffeisen Bank Polska S.A. seated in Warsaw (the "Guarantor") for an application by Krzysztof Mieciek running the business activity of the name: "Metalplast Budownictwo Krzysztof Mieciek" seated in Warsaw (the "Debtor") in order to secure the performance bond for execution of the Agreement for construction works concluded between the Debtor and HELIO S.A. (the "Guarantee Beneficiary") on 15 April 2009 including later amendments. On the base of the guarantee the Guarantor is irrevocably and unconditionally obliged for the payment for the benefit of HELIO S.A. each amount up to maximal sum of PLN 300,000 after receiving the first payment demand in writing. Duration of the guarantee validity: from a date of its figure up till 31.08.2010. The Issuer is not an affiliated entity towards other parties of the guarantee.
- The bank guarantee of 03.09.2010 granted by Raiffeisen Bank Polska S.A. seated in Warsaw (the "Guarantor") for an application by Krzysztof Mieciek running the business activity of the name: "Metalplast Budownictwo Krzysztof Mieciek" seated in Warsaw (the "Debtor") in order to secure the performance bond for execution of the Agreement for construction works concluded between the Debtor and HELIO S.A. (the "Guarantee Beneficiary") on 15 April

2009 including later amendments. On the base of the guarantee the Guarantor is irrevocably and unconditionally obliged for the payment for the benefit of HELIO S.A. each amount up to maximal sum of PLN 300,000 after receiving the first payment demand in writing. Duration of the guarantee validity: from a date of its figure up till 31.05.2011 r. The Issuer is not an affiliated entity towards other parties of the guarantee.

- The bank guarantee z dnia 23.05.2011 r. granted by Raiffeisen Bank Polska S.A. seated in Warsaw (the "Guarantor") for an application by Krzysztof Mieciek running the business activity of the name: "Metalplast Budownictwo Krzysztof Mieciek" seated in Warsaw (the "Debtor") in order to secure possible claims under warranty and /or guarantee in compliance with the terms and conditions of the Agreement for construction works concluded between the Debtor and HELIO S.A. (the "Guarantee Beneficiary") on 15 April 2009 including amendments. On the base of the guarantee the Guarantor is irrevocably and unconditionally obliged for the payment for the benefit of HELIO S.A. each amount up to maximal sum of PLN 150,000 after receiving the first payment demand in writing. Duration of the guarantee validity: from 01.06.2011 r. up till 11.02.2014 r. The Issuer is not an affiliated entity towards other parties of the guarantee.

14. Issuance of securities in the reporting period – description of the issuance receipts used by the Issuer by the time the report on the Issuer's operations was drawn up

In the business year 2010/2011 HELIO S.A. had no receipts owing to issuance of securities.

15. Explanation of differences between the financial results provided in the annual report and previously published results forecasts for a particular year

The Issuer did not publish financial results forecasts for the business year 2010/2011.

16. Evaluation with justification regarding managing 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

Within the business year 2010/2011 the Issuer had no difficulties to fulfill the incurred liabilities. Favourable financial position of HELIO S.A., as well as maintenance of diversification of credit financing between two banks, caused that the Company's financial liquidity was stable.

The Company assured the financing through taking use of credits/facilities in the current account as well as of the non-revolving working-capital credit. The value of credit indebtedness was adjusted to increase of demand for the working capital resulting from increase of turnovers. High level of sale in before Christmas periods required significant purchase of raw materials, which as yearly were financed mainly from working-capital credit.

Moreover, in the period subject to the analysis the Company took use of two unvestment credits: to finance up to 80% of the net expenses of performance of the investment project in Brochów as well as to acquire machinery and equipment to the new production plant in Brochów. Owing to that the Issuer's capacity to discharge the liabilities relating to execution of the referred investment project was unthreatened.

The Issuer's Management Board forecasts no hazards to fulfilment of other liabilities incurred by the Company. The liabilities connected with supplies, services, credits and leasing are effected currently, and financing of the Company's current activity in the business year 2011/2012 was ensured owing to renew the credit facility in the current account granted by BNP Paribas Bank Polska S.A. (previously Fortis Bank Polska S.A.) to maximal amount of PLN 5,000,000 as well as to renew the loan in a form of multi-purpose multi-currency credit line granted by Bank BPH S.A. up to equivalent of a sum amounting to PLN 23,500,000 (the increase compared to the prior year by PLN 13,500,00 results from the increase of demand for the Company's working capital connected with the anticipated dynamic increase of the sales resulting from commissioning and starting the Issuer's new production plant in Brochów).

At the beginning of the succeeding business year, i.e. on 16 August 2011, the Company concluded also the agreement for credit facility with BNP Paribas Bank Polska S.A. for the amount of PLN 1,000,000 purposed to finance the investment connected with equipment for the Debtor's new premises in Brochów. Owing to the referred loan the Issuer ensured itself means to purchase the other manufacturing-warehouse infrastructure to the New complex in Brochów. Duration of the credit use: up till 16.02.2012. Term of crediting: up till 15 August 2016.

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

In the business year 2010/2011 the Company was in the course of construction of a modern warehouse-manufacturing-office complex in Brochów. The investment will increase the Issuer's supply capability, and furthermore it will also limit its costs owing to improvement of internal logistics as well as to use of thermal energy released unproductively at manufacturing of poppy-seed mixtures. The investment Project was financed as the works were progressed from own resources and the investment credit amounting to PLN million 14 granted by BNP Paribas Bank Polska S.A. (previously Fortis Bank Polska S.A.). The process of commissioning of the referred investment Project was completed in May 2011 after receiving the Decision of the District Construction Site Inspector (Powiatowy Inspektor Nadzoru Budowlanego) in Sochaczew of 16.05.2011 providing HELIO S.A. the permit for use of the manufacturing-warehouse including social-office section and accompanying infrastructure on area of the plots of registered numbers: 222, 223/1, 223/2, 224/1 and 224/2 located in Brochów 119. With regard to the above the Issuer immediately made relevant re-bookings at assets side, changing the status of the commissioned facility from fixed assets under construction to fixed assets.

At the same time, in order to ensure high-tech manufacturing-warehouse infrastructure and equipment of the New plant in Brochów, the Company purchased new machinery and devices from the investment credit granted by Bank BPH S.A. in a sum amounting to PLN 3,150,000. The other capital expenditures for equipment of the new manufacturing-warehouse-office complex will be financed by the Company from the credit granted by BNP Paribas Bank Polska S.A. in a sum amounting to PLN 1,000,000, and possible surplus over the planned budget of the investment will be financed by the Company from own funds.

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

In the business year 2010/2011 the factors that positively influenced the results achieved included primarily such factors:

- the growing demand for nuts and dried fruits in Poland,
- continued increase of share supplies of direct import, cheaper than purchase of raw material from domestic agents,

- intensification of conducted marketing activities, ensuring greater familiarity and popularization of the Issuer's brands, and in fact stronger position of the Company on the domestic market of nuts and dried fruits,
- strengthening of good relations with hitherto Company's primary clients, what bore fruits in increased volume of supplies,
- an increase in the trade chains with which the Company cooperates,
- increase of sales in the traditional channel causing diversification of customers, increase of revenues from sales and accessibility of the Issuer's products on the market,
- betterment of the Company's competitiveness on the local labour market.

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

- the reduced Issuer's supply opportunities,
- high single costs to admit the traditional sales channel and launching New product lines (HELIO GOLD and caramel mixes),
- high operating costs connected with necessity to apply temporary solutions resulted from delay of commission of the new manufacturing plant in Brochów,
- increase of prices of raw materials,
- instable situation on the currency market

19. 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 following the business year for which the financial report was drawn up, with respect to the market strategy elaborated by the Issuer

Currently, the market of nuts and dried fruits in Poland is specified with highly dynamics of development. One of the main factors of impact onto growing up quantity of sold nuts and dried fruits is general popularization of them among Poles, who more and more frequent perceive nuts and dried fruits within wider context than the only product as an irreplaceable ingredient in Christmas dishes. Such tendency is a natural change of consumer's habits of the Poles resulting from implementation of diet western European and Mediterranean habits into the Polish diet. Though, the dynamic increase of popularity of nuts and dried fruits has been noted for number of years, this market is still perspective. Considering that, it is estimated that the domestic nuts and dried fruits market will still grow in the following years even by 5-10% yearly. Favourable prospects of the market development are more pleased, owing to commission of the Company's new manufacturing, thanks to which the Issuer will be able to come back to the development dynamics of the previous years, and at the same time to increase itself much faster than the market.

Therefore, within at least the following year the Company plans to continue the development strategy, what due to use of gained experience should be reflected in further increase of the enterprise's share in the domestic market of nuts and dried fruits as well as in the increase of the Company's value for shareholders. The fundamental assumptions of the Issuer's strategy which was adopted and consequently implemented is systematic reinforcing of the position on the domestic nuts and dried fruits market, but in the long-term strategy assumes launching 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.

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

In order to take use of occurring opportunities resulting from intensively growing up demand for the Company's products, and at the same time executing the adopted development strategy, the Issuer commissioned the new plant in Brochów near Sochaczew. Thus, in the nearest year the positive effects should be noticeable due to movement of the activity from hitherto rented locations to the new warehouse-manufacturing complex in Brochów, what should be reflected first of all at a level of increased revenues from sales as well as the EBITDA profit in connection of reduction of operating costs resulting from optimization of internal logistics and reduction of rental costs of warehouse areas. However, it is to consider the increase depreciation and financial costs resulting from repayment of interest on the investment credits. Besides, in duration of the next year the Company assumes also to complete the earlier manufacturing infrastructure, in particulars to equip the new manufacturing-warehouse-office complex, owing to which the Issuer's supply capacity as well as the competitive position will increase resulting from application of high-tech technology ensuring high efficiency while the highest quality standards are satisfied.

Diversification of the suppliers

Further development of direct import department will enable more extensive purchases directly at manufacturers' of particular products. Owing to that there will be opportune subsequent diversification of sources of goods supply and obtaining more competitive purchase price.

Diversification of clients and activation of new channels of distribution and markets

The Issuer's increased supply opportunities created capability to further penetration of the domestic market and activation of new markets, including in particular, within:

- **the traditional channel of segment B2C** – further penetration of the traditional channel (wholesales, distributors) will be opportune first of all through use of activities and expenses incurred for this purpose in the last financial year. The expected effect of these activities is further diversification of the Company's customers and straightening the Issuer's position on the domestic market of nuts and dried fruits. The level of expenditures incurred for this purpose should be significantly lower than in the last year, what is in compliance with the Issuer's declarations and strategy of development. Ultimately, the Company plans to obtain in the traditional channel approximately 30-40 % of its revenues from sales, i.e. similar to the share of this channel in the domestic market of nuts and dried fruits,
- **segment B2B** – it is development of absolutely new segment of sales in the activity of HELIO S.A. as the sales of nuts and dried fruits to industry is (segment B2B, i.e. sales to manufacturers of sweets, bake-houses, cake shops, etc.). The department involved in activation of this segment will be established just in the space of the first months of the next financial year, and according to the expectations of the Management Board it should generate at least a dozen or so of additional revenue from sales just in the first year of its activity. However development of this segment, is not only perspective of increased revenues from sales, but also betterment of inventories rotation and benefits of scale resulting from the increased purchases. Commencement of the activity on the market of wholesale of non-processed raw materials (segment B2B) complies with the Issuer's earlier announcements and it should not generate high costs for launching in the market,
- **foreign markets of segment B2C** – the Schedule activation of sales on to the foreign markets in segment B2C will be provided first of all in the modern channel through the use of international reach of commercial chains cooperating hitherto with the Issuer on the domestic market. But considering the high domestic demand for the company's products, first of all at first the Issuer will concentrate on the Polish market developing systematically export according to increasing organizational and supply opportunities of the enterprise.

Products

Following demand on the domestic market, HELIO S.A. 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 under the Issuer's brand. In the financial year 2010/2011 there were first of all two lines of products (the HELIO GOLD product line and the caramel mixes line), which according to the Issuer's estimations should under the product life cycle, in the current year move fluently from the stage of implementation to the stage of increase, causing reduction of unit costs of production and promotion, as well as further increase of the market.

From the news launched in the first half of the financial year 2011/2012, it is to distinguish the upgraded HELIO nuts and dried fruits line. This offer will be directed to the consumer who search products of verified and solid quality, Chile in practical and high-tech packing of doypack type. The new HELIO proposal attracts interest with considerable choice of products, with attractively calculated price and specialty designed packing, in which string closure is applied. The target group of the new line is composed of consumers who use nuts and dried fruits in daily menu, not merely as the valuable snack, but in great measure for cooking purposes – for baking, salads, desserts. But the expenses of launching nuts and dried fruits of the upgraded line assigned with the earlier HELIO brand will not be so material as the expenses of launching quite new product lines, what took place last year.

At the same time, considering high demand for products under trade chains own brand, HELIO S.A. shall work for succeeding increase of sale volume of such products and for extension of hitherto list of supplied assortments of own brand by new positions, including also on to the foreign markets, as much as it is possible. This type of strategy allows for current adjustment of the Company's own offer to the needs and inclinations of the client, and at the same time for further increase of the Company's sale.

The marketing strategy

Taking into account the current sales value and the number of consumers, the Company still intends to intensify marketing actions supporting the sales of products assigned with the HELIO trademark at the high level, including in particular the actions in the scope of PR and advertisement. The high level of sale sanctions the legitimacy of intensifying advertisement in order to further increase the level of sales and build the identity of HELIO brand.

To summarize it is worth to emphasize that the above determinants shaping the Issuer's results of the next year are very beneficial for the Company. In the

temporary period for the enterprises development, as the last business year was, there were undertaken numerous activities whose measurable effects should be noticeable even within the space of the business year 2011/2012 both with regard to the increase development of revenues from incomes and betterment of profits.

20. Changes in the elementary rules of managing the Issuer's enterprise

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

21. All agreements concluded between the Issuer and the managing personnel providing the indemnity in case of their resignation or dismissing from the office held without any important reason or when their removing or dismissing is a result of the Issuer's merger by take over

The Members of the Management Board are engaged in the Company under the agreement of employment. Should the agreement of employment be dissolved, 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 for providing 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 while employment relationship is dissolved.

22. Value of remunerations, prizes or benefits, also when resulting from the motivation or bonus programmes based on the Issuer's capital, including the operational programmes with priority right, exchangeable, warrant subscriptions (in money, nature 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 division of the profit

The value of remunerations and prizes of the Members of the Management Board in the business year 2010/2011 was as follows:

- Leszek Wąsowicz - President of the Management Board 641,730 PLN gross
- Justyna Wąsowicz - Vice President of the Management Board 387,780 PLN gross
- Jacek Kosiński – Chairman of the Supervisory Board..... 5,479 PLN gross
- Adam Wąsowicz – Vice-chairman of the Supervisory Board 3,623 PLN gross
- Irena Gałan-Stelmaszczuk – Member of the Supervisory Board . 1,764 PLN gross
- Magdalena Kačka – Member of the Supervisory Board..... 1,764 PLN gross
- Radosław Turski – Member of the Supervisory Board 1,764 PLN gross

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

To the Management Board of HELIO S.A. knowledge, as of the closing day of the business year, i.e. 30 June 2011, the managing and supervising persons were holder of the following Company's shares (Table 5).

Table 5: *Specification of shares owned by the managing and supervising persons as of 30 June 2011.*

Shareholder	Number of shares	Nominal value of owned 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
Members of the Management Board					
Leszek Wąsowicz	3,857,000	1,928,500 zł	77.1%	3,857,000	77.1%
Members of the Supervisory Board					
Jacek Kosiński	17,800	8,900 zł	0.4%	17,800	0.4%

Source: The Management Board of HELIO S.A.

24. Information on the agreements known to the Company (including those concluded after the balance sheet date) which may potentially result in future changes in the proportions of the shares held by the current shareholders and bond holders

To the Management Board of HELIO S.A. knowledge this type agreements have not been concluded.

25. Information about the matching shares control system (shares held by employees)

Not applicable.

26. Information regarding the agreement with the entity entitled to analyze and inspect the financial report

On 19 November 2009 the Supervisory Board of the Company chose the entity entitled to analyze the financial reports. The chosen entity is PKF Audyt Sp. z o.o. [limited/ public liability company] with its registered office in Warsaw, entered into the list of entities entitled to analyze financial results, held by the National Chamber of Statutory Auditors under number 548. On 8 December 2009 two agreements were concluded with the selected entity for a period ending the time of completion of the works resulting from the yearly audit/mid-year review of the annual financial report of the Company for the last period covered by the agreement. The scope of the agreement includes, respectively:

- analysis of the annual financial report of HELIO S.A. in accordance with the position as of 30 June 2010, 30 June 2011, 30 June 2012,
- mid-year review of the annual financial report of HELIO S.A. in accordance with the position as of 31 December 2009, 31 December 2010, 31 December 2011.

Table 6: *Remuneration for the entity entitled to analyze financial statements paid or due for the current and prior business year (in PLN net)*

Type of a service	The business year 2009/2010	The business year 2010/2011
Analysis of yearly financial statement	20,000	20,000
Other acknowledgement services, including review of financial statement	10,000	10,000
Fiscal consultancy services	-	-
Other services	-	-

Source: The Management Board of HELIO S.A.

27. Representation of persons responsible for information included in the present report on the activity of the Management Board of HELIO S.A.

The Management Board of the Company composed of:
Leszek Wąsowicz – President of the Management Board
Justyna Wąsowicz – Vice President of the Management Board

represents that:

1. according to its best knowledge the annual 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 on the situation of the Company, including the description of the fundamental threats and risks.
2. that the entity entitled to analyze the financial reports, preparing the analysis of the annual 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 and norms of the professional law

Wyględy, 31 October 2011.

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

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