



**REPORT OF THE MANAGEMENT BOARD  
ON THE ACTIVITIES OF HELIO S.A.  
for the business year 2006/2007  
from 1 January 2006 to 30 June 2007**

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

The presented report on the Company Management Board activity for the business year 2006/2007 has been drawn up under the Accounting Act of 29 September 1994 as amended and under The Regulation of the Minister of Finance of 19 October 2005 on current and interim reports published by issuers of securities.

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

Pursuant to the Statutes of the Company, the business year of HELIO S.A. starts on 1 July and ends on 30 June. Owing to the fact that the Issuer's legal predecessor decided to change the business year (from the business year equal to the calendar year for the business year ending on 30 June of each year) and in compliance with the definition of the business year included in the art. 3 section 1 item 9 of the Accounting Act of 29 September 1994 stating that in case of the change of the business year the first business year after the change shall be longer than 12 following months, the Company's **business year presented in this statement**, the legal successor of "PH BONA" Sp. z o.o., **comprised the period of 18 months**, i.e. from 1 January 2006 to 30 June 2007.

The period, for which the comparable financial data are presented, is the period of the previous business year, i.e. from 1 January 2005 to 31 December 2005. However, it must be emphasized that, owing to the change of the business year (from an equal to the calendar year into a business year that ends on 30 June every year), the presented comparable period encompasses 12 months, i.e. 6 months less than the business year 2006/2007 analyzed in this statement.

The currency used in drawing up this report is PLN (the Polish Zloty).  
The Company does not draw up any consolidated financial report.

## 2. The basic information about the Company

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

The Company is represented by:

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

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

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

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

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

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

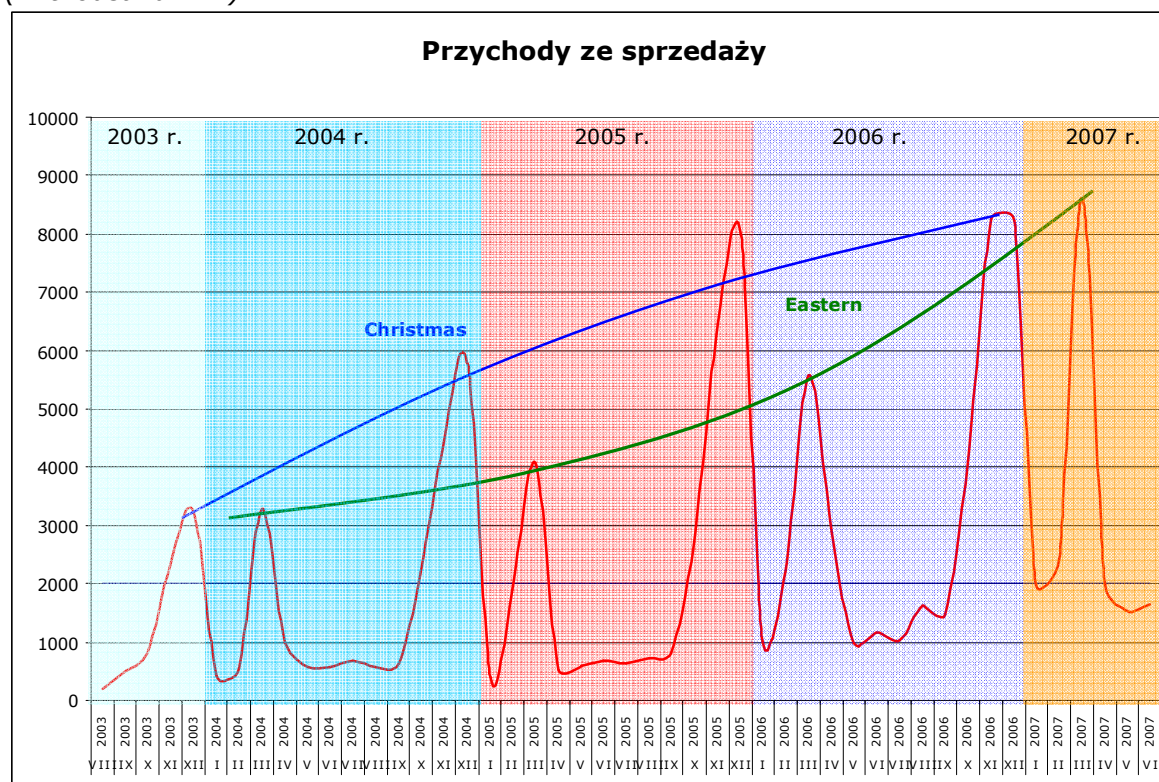
**3. Discussion of the basic economic-financial values, revealed in the annual financial report and in particular the description of the factors and events, also of a non-standard nature, having a significant influence on the Company activity and the profits or losses attained during the business year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

Factors that influence the activities of the Company in the current business year

Adopted in 1992 the growth strategy proved itself to be accurate, what was confirmed by significant dynamics of revenues obtained by the company in each next year, despite the change of its legal form. Owing to the growing demand for

the offered products, the production capacity was developed and consequently further dynamic increase of the revenues followed. In the business year 2006/2007 the Company achieved record-breaking revenues from sales in its history, which amounted to PLN 56,752,000.00, which was a double increase in relation to the previous business year. Despite the fact that the current business year was extended to 18 months, it must be considered that comparing the sales in the analogical months of the previous years of the activities of the Company (Figure 1) a great increase of sales coinciding with a constant tendency observed from the beginning of the Company's activities is also visible. Together with an increase in sales the Company observed an increase in profits. In the business year 2006/2007 the Company generated a net profit that amounted to PLN 3,619,000.00 which constituted 149% of the net profit in relation to the previous business year.

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



Source: the Management Board of HELIO S.A.

In the analyzed business year the main factors that influenced the achieved results were:

- ✓ the acquisition of new consumers in the traditional distribution channel (wholesale distributors) and in the modern distribution channel (supermarket chains),
- ✓ strengthening good relations with the current consumers of the Company, which resulted in the higher volume of supplies,
- ✓ a development of commercial chains with which the Company cooperates, that entails an increase in turnovers,

- ✓ a growing popularity of "Sunny Fruits" [*Słoneczne Owoce*] brand introduced into the market in the 4th quarter of the current business year,
- ✓ intensification of the marketing actions, especially in advertising and Public Relations sectors directed to the final client and suppliers,
- ✓ a significant and repeated increase in the prices of raw materials, including especially poppy-seed, which had a negative influence on the obtained mark-up by the Company,
- ✓ an increase of the remuneration costs.

In relation to the growing scale of activities, entailing the organizational changes, the Company decided to employ several qualified employees to deal with import and support the current work of the office. Undoubtedly, it has its impact on the increase of the remuneration costs in relation to the previous business year, however, the main cause for the increase of this expenses position was the increase of the formal and legal requirements and remuneration of production employees. It must be emphasized that this increase was a factor characteristic for the economy at all.

In order to avoid problems with completing the production team for the period of the most intense activity of the Company (September 2007 – April 2008), the Company had to react by the means of intensifying the activity in the human resources area. The uncomfortable situation on the national labour market made the employers to incur additional remuneration costs on production positions on the basis of the service contract. The resignation from the current employees would determine a great employment fluctuation connected with a long-term process of recruitment and implementation of the new employees, which will result in the decrease of the Company's activities effectiveness in the key period of i.e. pre-Christmas selling pack. Comparing June 2005 with June 2007 the 93% increase in the number of employed on the basis of the service contract was registered. The total employment, considering people working on the basis of the civil law agreement in the business year 2006/2007 fluctuated between 39 people to 91 people with the highest number of employed in the months before the highest sales.

Table 1: *The average year employment in the Company within the last three business years*

<b>Year</b>	<b>The average number of the employees</b>
2004	45
2005	55
2006	66

Source: the Management Board of HELIO S.A

Among factors of the macroeconomic scale that influence the financial results of the Company, the considerable growth of the business situation in Poland in 2006 is worth highlighting. The general improvement in the economic situation of households that determines the changes in the shopping basket of the average consumer, who spends a significant part of his/her income on luxury goods, including healthy and ecological food, has its impact on the general increase in the

sales of nuts and dried fruits in Poland. This tendency is a natural change of consumers' habits in the developing economy. In accordance with the research of GfK Polonia the total sales volume on the nuts and dried fruits market increased in the calendar year 2006 by about 7% in relation to the comparable period of 2005. Because of the lower consumption of nuts and dried fruits per person in comparison with the countries of West Europe it is estimated that the market will increase in the coming year by 5-6% annually.

Good perspectives of development caused consolidation activities of the Companies selling nuts and dried fruits. Some years ago, about 35% of the market belonged to the major distributors, now this share is estimated to about 60%.

Apart from the change of the legal form of the Company, it is worth paying attention to an event connected with the increase of the share capital in the second half of the business year by the means of public offering of the new issue of series B shares. On 4 December 2006, the Issuer's General Meeting of Shareholders adopted resolutions in regard to an increase of the Company's share capital by the means of public offering of new issue of series B shares and by applying for the admission of series A and B shares and the right to shares of series B to trading on the regulated market and their dematerialization. On 16 March, Polish Financial Supervision Authority approved an issuing prospectus and between 28 and 30 March, the subscription of B series shares took place. On 2 April, the Management Board adopted the resolution on allotment of new issue of series B shares, and an increase of the share capital was registered on 20 April 2007. The Company obtained more than PLN 10,000,000.00 after deducting the issues costs, whereas its share capital increased to PLN 2,500,000.00. The Company intends to utilize the obtained assets in developing the Company's infrastructure, which will allow to increase the production potential and finance the growth of the Company's current assets.

#### The perspectives of development

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

In view of the next business year, a significant factor that will influence the operational activities of HELIO S.A. will be the use of the cash from the public offering of the new issue of series B shares. The raised assets will allow to carry out the strategy presented in the Issuing Prospectus.



The additional factor that positively influences the activities of the Company is a recorded and consistent increase in wealth of the Polish society, which is characterized by a growing share of luxury goods. In context of the activities of HELIO S.A. we presume that this tendency will cause an increase in purchase of less popular and more expensive nuts and dries fruits such as for example cashew nuts, pistachio nuts or almonds, the sale of which is more beneficial. It is also worth stressing the fact that wealthier societies pay greater attention to the quality of products they buy, what creates better sales perspectives for HELIO S.A. The products of the Issuer are of high quality and enjoy a good reputation and recognition among consumers, which shall benefit to the increase of share of nuts and dries fruits of HELIO S.A. in the domestic market.

The costs incurred for promoting the new brand and gaining new consumers in the current business year shall contribute to increase the revenues from sales visible within the space of the first half year of the next business year. However, the Company intends to keep an increased expenses level for promoting such brands as Sunny Fruits [*Słoneczne Owoce*] until the end of the next business year.

In accordance with the predictions of the Management Board, the next business year will be distinguished by maintaining the current number of employees employed year-long on the basis of the service agreement.

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

##### Risk related with the competition

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

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

HELIO S.A. is a commercial company of crude foodstuffs and is exposed to the risk of price fluctuations. Periodically those fluctuations may affect the proportion of the margins of sale obtained by the Company. The level of the prices of the crude foodstuffs is affected by the factors beyond the control of the Company, such as: the size of crops in a given year, climatic conditions affecting the quality and accessibility of the raw materials of required quality. In order to retain the high current profitability of sale, owing to the experienced personnel, the Company will

try to relatively earlier react to the prevailing market situation, above all including: to increase the stock of raw materials whose price is going to increase and to adequately early renegotiate with the clients the prices of products in the offer.

#### The risk of foreign currency exchange rates

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

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

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

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

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

#### The risk of losing the key employees

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

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

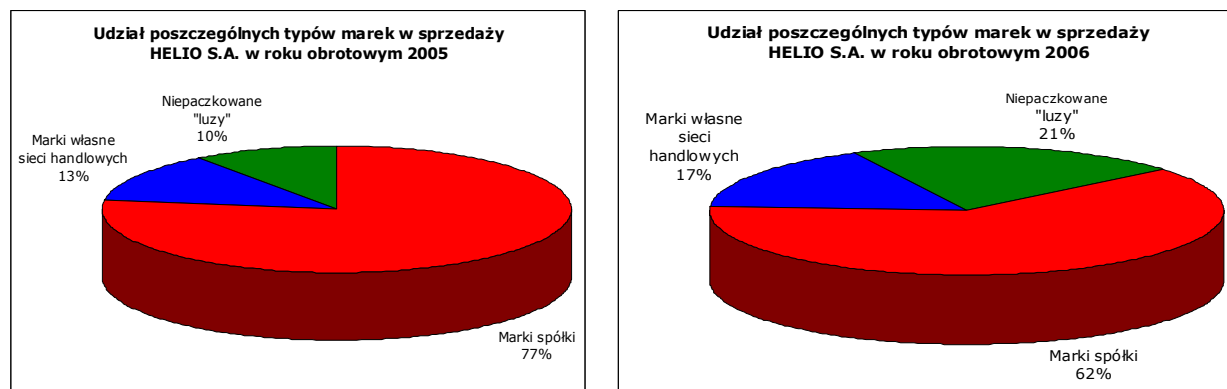
After the issuing of the Series B Shares, the share of the dominant shareholder, Mr. Leszek Wąsowicz, in the total number of votes at the general meeting amounts to over 77%. A significant share in the total number of votes provides him with the factual control over decisions made in the Company and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

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

The subject of activity of HELIO S.A. is import and processing of nuts and dried fruits, production of poppy-seed products and the distribution of products. The Company offers products under the Company's labels, which include: "HELIO", "Sunny Fruits" [*Słoneczne Owoce*] and "BONA". The Company offers mixed nuts and dried fruits such as: fruit mix [*mieszanka owocowa*], student mix [*mieszanka studencka*], nut mix [*mieszanka orzechowa*] or nuts and dried fruits mix [*mieszanka bakaliowa*].

Owing to the possibility of a flexible approach towards consumers' expectations and manufacturing products in accordance with consumers' suggestions and needs, HELIO S.A. sells its products also under private labels of supermarkets and hypermarkets, and also in wholesale packs for loose sale. Figure 2 shows the share of sales of packed nuts and dried fruits under different labels. In 2006/2007 together with a visible increase in sales to supermarkets and hypermarkets chains, an increase in the share of those brands in the general sales of the company is also visible.

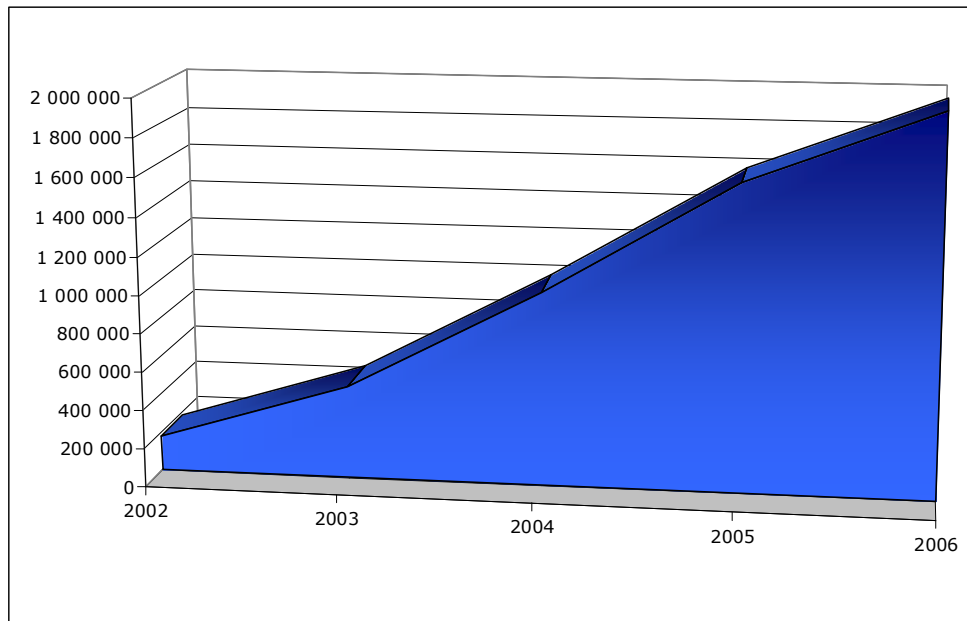
Figure 2. The share of the pre-packed nuts and dried fruits brands in the obtained sale incomes of the Company.



(The share of the particular types of brands in the sale of HELIO S.A in the business year 5: Own brands of the trade chains 13%; Unpacked "in bulk" 10%; The Company's brands 77%  
The share of the particular types of brands in the sale of HELIO S.A in the business year 2006/2007: Own brands of the trade chains 17%, Unpacked "in bulk" 21%, The Company's brands 62%)  
Source: the Management Board of HELIO S.A

The Company's biggest success of the past years was the project of introducing into the market "Canned poppy-seed filling" [*Masa makowa w puszcze*] and "Home style poppy-seed filling" [*Mak Babuni*] which had its reflection in the share of the revenues from sales of those products in the total sales of the Company. This innovative product required creating a unique technology project, building of an uncharacteristic park. The brand is very well-known at the moment and recognized on the market. The Company is perceived as a leader in this market segment. At the same time, in the opinion of the Management Board the market for this range of products will develop rapidly, and owing to the innovative character of the product and a strong position on the market and intensification of the marketing actions, the Company should increase its income from this product in the coming years, despite its competitors. Figure 3 illustrates the dynamics of sales of the products from the poppy-seed filling category.

Figure 2. The dynamics of sales of the products from the poppy-seed filling category.



Source: the Management Board of HELIO S.A

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

nuts:

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

grains and seeds:

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

Dried fruits<sup>1</sup>:

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

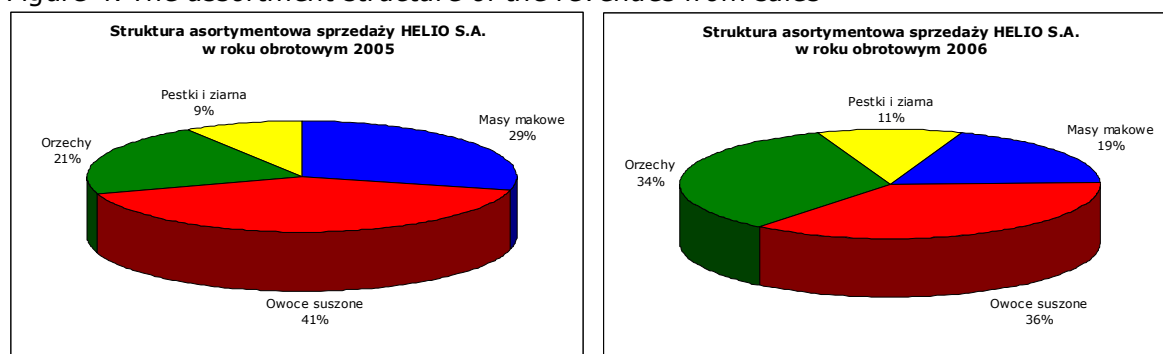
<sup>1</sup>

Dried fruits and others (including candied fruits, fruits in syrup or in pickled)

Among novelties that appear in the range of the Company it is worth paying attention to a new line of nuts and dried fruits under the label of Sunny Fruits [*Słoneczne Owoce*] introduced into the market in the 4<sup>th</sup> quarter of 2006. This label meets the requirements of the fussiest consumers not only in the scope of the best quality of raw materials, but also of individual packaging and collective packaging. With attractive packaging, the highest quality of the product and marketing support, HELIO S.A. wants to create a new image of the Sunny Fruits [*Słoneczne Owoce*] brand that deserves the consumers' confidence and their loyalty. Products of this brand are a selling success in among others Carrefour, Tesco and Kaufland hypermarkets.

In the business year 2006/2007 the biggest share in the revenues from sales of the Company was dried fruits and nuts. It should be emphasized that the decrease of share of the poppy-seed filling in the generated revenues in relation to the previous year results from the uncharacteristic period of the current business year. The Company has reached its highest level of sales before Christmas, when the demand for poppy-seed filling and nuts and dried fruits used for Christmas backings is growing. In the current business year the share in sales of poppy-seed filling has been "lengthy" by greater number of months than every year.

Figure 4. *The assortment structure of the revenues from sales*



(The assortment structure of HELIO S.A. in the business year 5: nuts 21%; seeds and grains 9%; poppy-seed fillings 29%; dried fruits 41%  
The assortment structure of HELIO S.A. in the business year 2006/2007: nuts 34%; seeds and grains 11%; poppy-seed fillings 19%; dried fruits 36%)

Source: the Management Board of HELIO S.A.

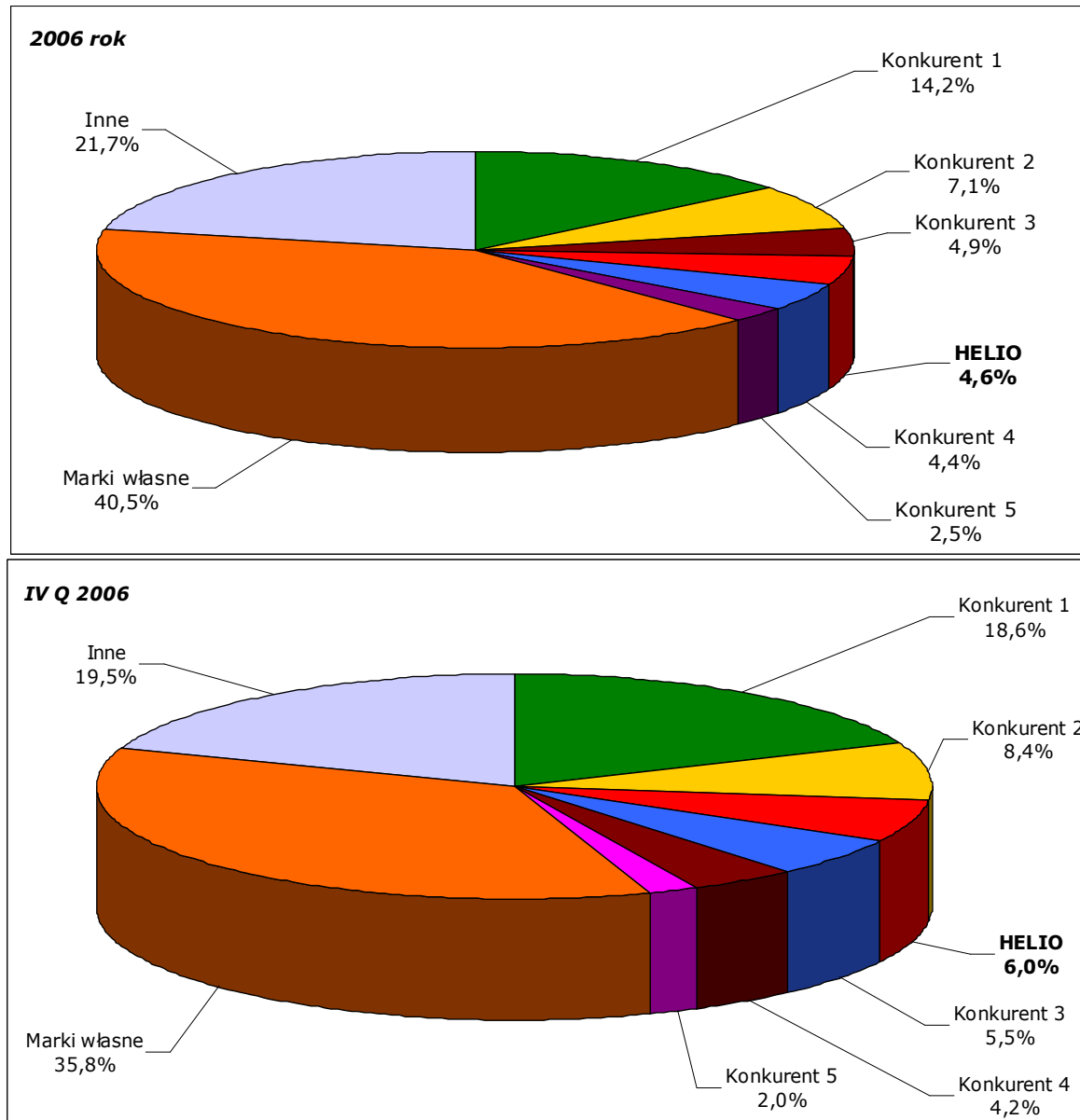
**6. Information about the markets with respect to the division into the domestic and foreign markets and the information about the supply sources of production materials, goods and services specifying the dependence on one or more buyers and suppliers, and in case when the share of one buyer or supplier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

In the business year 2006/2007 the Company was selling its products only on Polish market. The Company carries on its activities within the country, whereas its

products are sold in most of the trading networks and also in small shops, which are operated by sales specialists and through the foodstuff wholesale companies. Several wholesale companies with a regional reach and a number of wholesale companies with a nationwide reach are the consumers of HELIO S.A. Supermarkets and hypermarkets have the biggest share in sales of the Company, which is currently characteristic for the whole nuts and dried fruits market, where a significant part of sales takes place under private labels of supermarkets and hypermarkets.

It is worth stressing the fact that a constant change of distribution forms on the FMCG market takes place. Hypermarkets and discount stores gain more and more significance. This phenomenon is strengthened by the tendency to combine the biggest global supermarkets and hypermarkets chains, which causes changes on the Company's consumers market. The share of sales to supermarkets and hypermarkets in the revenues from sales of the Issuer amounted to about 90%. In order to limit the dependence from single consumers, the Company concluded agreements with the biggest international chains operating in Poland that appreciated the quality of the Company's products and flexible cooperation conditions. In the business year 2006/2007 among the biggest consumers of the Company's products were Carrefour, Kaufland, Tesco and JMD "Biedronka" chains. In future the Company intends to increase the share of its sales in the traditional distribution channel (wholesales companies and distributors), and also start selling its products on the foreign markets.

Figure 5. The quantitative share of the Company in the packed nuts and dried fruits market



Source: GfK Polonia Sp. z o.o.

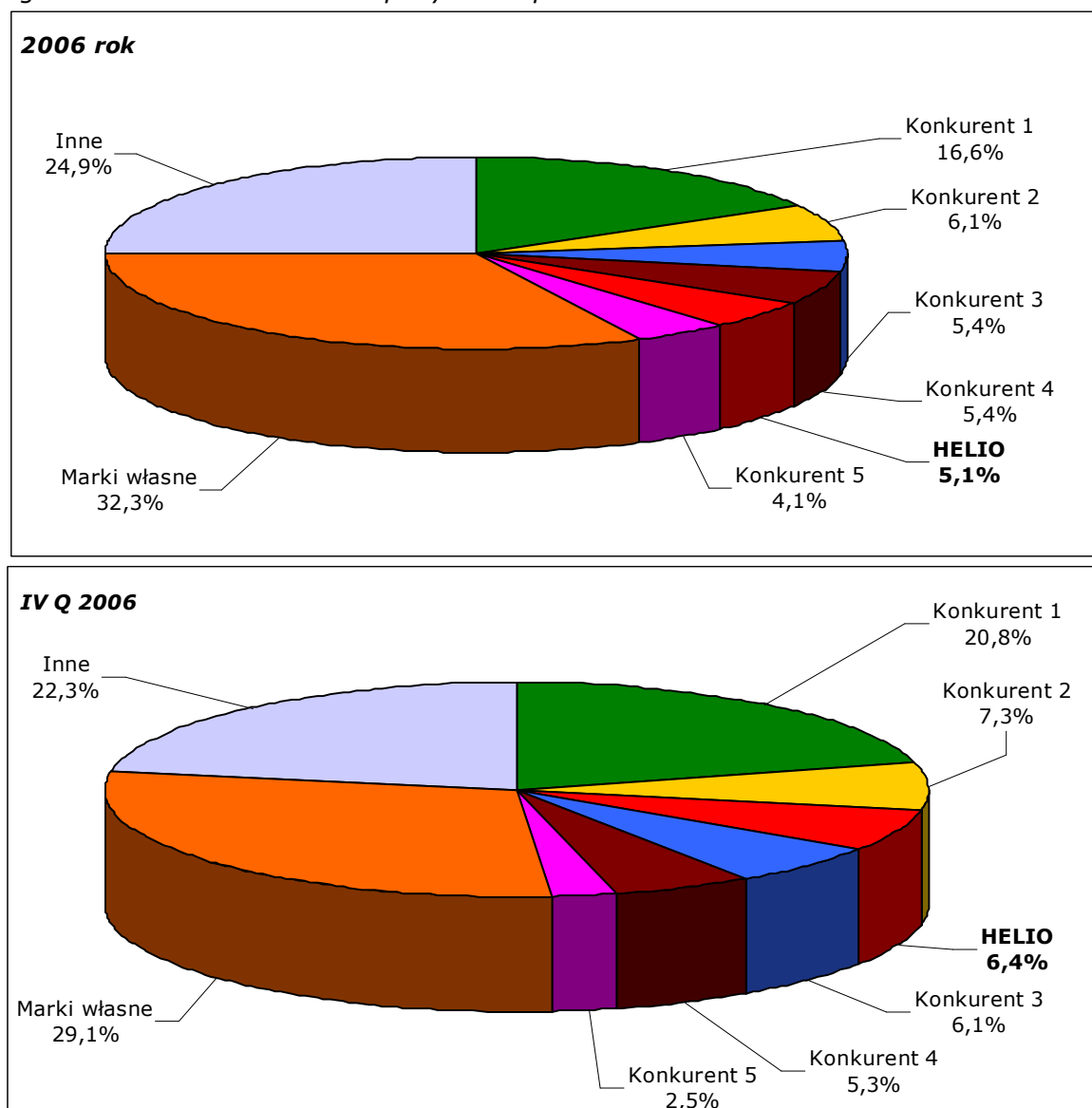
According to the research carried out by GfK Polonia Sp. z o.o. the quantitative share of the Company in the packed nuts and dried fruits market in the calendar year 2006 amounted to 4.6%. In the 4<sup>th</sup> quarter of 2006 in which the sales of nuts and dried fruits is the highest on the year's scale, the Company's share in the market amounted to 6.0% (Figure 5). It is worth paying attention to the fact that in 2006 the share of the so called "private labels" of supermarkets and hypermarkets increased to 40.5% on the year's scale (38.3% in 2005) and to 35.8% in perspective of the 4<sup>th</sup> quarter (35.3% in IVQ 2005). "Private labels" include also the products of HELIO S.A. which the Company produces for the commission of chains, which in perspective of an increased share of the private label in the selected range



of the Company, means an increase of shares of the Company in the market in relation to analogous periods of the previous year.

Figure 6 shows the share in the market of HELIO S.A. in terms of value.

Figure 6. The share of the Company in the packed nuts and dried fruits market



Source: GfK Polonia Sp. z o.o.

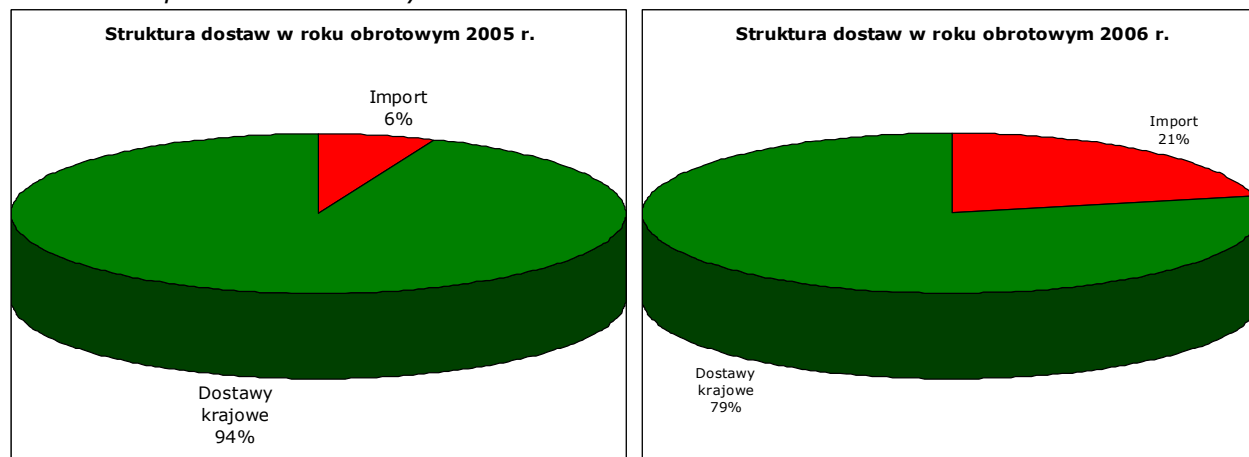
Owing to the strong position in the nuts and dried fruits business, the Company is a recognized and appreciated for its solid distributor in all distribution channels. Last year of its activities, the Company kept its unquestionable leader position among poppy-seed filling producers and the position of one of the leading companies on the nuts and dried fruits market. In the described period, the company managed to maintain its consumers from previous years and extend their

circle by new hypermarkets chains and discount stores. The common presence of the Company's products on the market and their high quality is visible in receiving other awards.

In the current business year, our nuts and dried fruits have been once again awarded with prestigious titles "Consumers' Golden Laurel 2006 and 2007" [*Laur Konsumenta 2006 i 2007*], whereas in the garnish [*dodatki do ciast*] category our poppy-seed filling was awarded with the "Consumers' Golden Laurel 2006" [*Złoty Laur Konsumenta 2006*] and owing to intensive marketing activities also "Consumers' Laurel - Discovery of the Year 2007" [*Laur Klienta - Odkrycie Roku 2007*]. "Consumers' Laurel" [*Laur Konsumenta*] logo is a project created by the Polish consumer market in factual charge of the Gallupa Institute, one of the world's leader in opinion poll research. The products awarded with the "Consumers' Laurel" [*Laur Konsumenta*] are selling very well and are often chosen by the consumers and positively assessed and recommended to other consumers.

The Company does not hold long-term agreements with suppliers. The goods are bought systematically in accordance with the current needs, and the agreements with suppliers are concluded only for a particular delivery of goods. In the current year, the Company has increased its own import in relation to the previous years (Figure 7), and diversified the sources of supplies at the same time. Owing to that, the Company is not dependent on major suppliers. In the coming year the Company plans to further decrease the purchase of goods from domestic suppliers for the benefit of an increased direct import.

Figure 7: *Supplies from direct import and from domestic suppliers in terms of value in the current and previous business year.*



Source: the Management Board of HELIO S.A.

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

HELIO S.A. is a party in several commercial agreements with the clients on the basis of which it is obliged to deliver the own manufactured products, whereas the

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

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

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

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

Within the business year 2006/2007 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, these agreements were presented in point 10 of this report.

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

In the business year 2006/2007 the Company did not perform capital investments. The Company has developed its production infrastructure by introducing other modern machines and devices that allowed to increase the capacity and lower the manufacturing costs with preserving the high quality of the product at the same time. Both factories underwent modernization. For Poppy-seed Filling Production Department [*Dział Produkcji Masy Makowej*] the Company bought a modern sterilizing device, whereas the Nuts and Dried Fruits Production (packing) Department [*Dział Produkcji (pakowania) Bakalii*] was developed by introducing several modern machines and devices, including the most modern packing line. Additionally, the Company developed also its car fleet by a semi-trailer.

Table 3: Investment expenditure of HELIO S.A. in the business year 2006/2007

Specification	Financing sources	
	Expenses – own means (in PLN thousand)	Expenses – leasing/credit (in PLN thousand)
Lands and the right of perpetual usufruct	-	-
Buildings and offices	166	-
Machines and devices	63	572
Vehicles	269	252
Equipment	61	-
Capital investments	-	-

Source: the Management Board of HELIO S.A

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

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

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

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

Within the business year 2006/2007, the Company was not granted any securities and guarantees. Within this period the Company was a party in the following credit agreements. All agreements were concluded between the Issuer (the debtor) and Bank BPH S.A.) with its registered office in Cracow (the Bank).

- Investment Credit Agreement concluded on 6 September 2005 – the Bank granted the Debtor the investment credit in the amount of PLN 720,000 with its appropriation to finance and refinance 80% of the costs of building of the warehouse for finished products. The crediting period: till 30 June 2006.
- Operating renewable credit agreement concluded on 20 July 2006 – the Bank granted the Debtor the operating renewable credit in the amount of PLN 5,800,000 from 10 November 2006 which was designed to finance the current activity of the Debtor, i.e. providing the means for purchasing the materials connected with the seasonality of sales. The crediting period: till 2 July 2007.
- Multi-purpose multi-currency credit line agreement concluded on 27 July 2004 annexed on 1 September 2006 - Bank granted the credit to the Debtor

in the form of a multi-purpose multi-currency credit line up to the equivalent of PLN1,700,000 allowing the use of a sublimit of the credit up to the equivalent of 1,500,000 with its appropriation to finance the current activity of the Debtor, as well as the use of a sublimit up to the amount of PLN 200,000 with its appropriation to compensate the credit and market risk incurred by the Bank as a result of concluding a financial market transaction on the basis and under the terms specified in a separate agreement. The crediting period: till 31 August 2007

- Operating unrenewable credit agreement concluded on 28 November 2006 – the Bank granted the Debtor the operating unrenewable credit in the amount of PLN 2,500,000 which was designed to finance the current activity of the Debtor, i.e. providing the means for purchasing the materials connected with the seasonality of sales. The crediting period: till 25 June 2007.

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

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

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

In 2006/2007 the value of the performed subscription amounted to PLN 11,844,000.00.

The total emission costs amounted to PLN 1,482,585.75, including: the offer preparation costs, sub-issuers' remuneration costs – excluding the costs of preparing the issuing prospectus including the costs of consulting and offer promotion costs.

An average subscription costs per unit of securities amounted to PLN 1,31.

From the moment of obtaining the assets from shares issue, in accordance with the presented in the issuing prospectus aims of the shares issue, a part of those assets was allotted for the acting capital of the Company, whereas the second part was put in safe financial instruments, i.e. bank deposits.

**13. Explanation of differences between the financial results shown in the annual report and previously published result forecasts for a particular year**

In the Issuing Prospectus of HELIO S.A. published on 21 March 2007 the Management Board presented the forecast of financial results of the Company for

the period from 25 August 2006 (transformation of "PH BONA" into HELIO S.A.) to 30 June 2007 and from 1 July 2007 to 30 June 2008.

Owing to the fact that the Company's business year 2006/2007 encompassed the period from 1 January 2006 to 30 June 2007, for the presentation purposes the table below shows also a total sum of financial results of the legal predecessor for the period from 1 January 2006 to 24 August 2006 and the forecast of the Company's results for the period from 25 August 2006 to 30 June 2007.

Table 4. *Financial result forecast for the business year 2006/2007 (in thousand PLN)*

<b>Specification</b>	Forecast for the period from 25.08.2006r. to 30.06.2007r. presented in Prospectus	Accomplishment in the period from 25.08.2006r. to 30.06.2007r.	Financial results Issuer's legal predecessor in the period from 01.01.2006r. to 24.08.2006r.	<b>Sum of the Issuer's legal predecessor's result and forecast's data</b>	<b>Accomplishment in the period from 01.01.2006r. to 30.07.2007r.</b>
	1.	2.	3.	4.	5.
Revenues from sales	40.000	40.852	15.900	55.900	56.752
EBITDA	4.640	4.039	1.747	6.429	5.667
Gross profit	3.827	3.260	1.380	5.207	4.519
Net profit	3.100	2.599	1.122	4.222	3.619

Source: the Management Board of HELIO S.A

In the current business year the revenues from sales achieved by the Company were accomplished in 101% in relation to the value originally estimated by the Management Board (obtained by the legal predecessor and the results forecasted for the period from 25 August 2006 to 30 July 2007 – total in column 4).

Despite the accomplishment of the assumptions from the scope of sales, the achieved gross revenues during the whole business year 2006/2007 (from 1 January 2006 to 30 June 2007) constitute almost 87% of the amount shown in column 4, whereas the net revenues constitutes almost 86%. This divergence was caused mainly by:

- the costs incurred in relation to gaining new consumers and expanding the cooperation with the current consumers,
- the costs of the works connected with the introduction a broaden range of nuts and dried fruits of Sunny Fruits [*Słoneczne Owoce*] brand of planned for Autumn 2007,
- an increase in the prices of raw materials,
- higher than estimated remuneration costs for employees, especially production employees, in connection to the real risk of problems with completing the staff in the period of increased and intense activity of the Company (September - December 2007).

Notable effects of the incurred expenditure will be visible over the coming months, especially in the period of the best prosperity in the nuts and dried fruits market of seasonal character.

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

In the business year 2006/2007 the Company purchased from 8 leasing agreements, machines and devices, and vehicles, in it packaged line increasing its manufacturing efficiency as well as means of transport. In the period under discussion, the instalments arising out of the former leasing agreements and investment credits were also being paid off.

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

The Issuer's Management Board does not currently expect any dangers threatening discharging of the debts incurred by the Company. The debt-service by virtue of deliveries, services and credits follows on a current basis in accordance with the terms of the agreements. In order to secure the financial liquidity of the Company in the following period, the Management Board of HELIO S.A. concluded on 6 September 2007 a credit agreement with Bank BPH S.A. in the form of a multi-purpose multi-currency credit line not exceeding the equivalent of PLN 12,700,000.

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

While accomplishing its growth strategy, the Company intends to build a modern factory, in which the newest technologies that allow production automation of the larger part of the production process, will be used. In order to increase the capacity and the economics of production, HELIO S.A. intends to modernize the current storage and production infrastructure of the company by enriching individual technological lines in additional production modules and by replacing a part of current modules with more cost-efficient and energy-saving ones. The accomplishment of those assumptions is connected with purchase of real estates that allow to extend the storage and production space, and with purchase of production machines and devices. In connection with the increase in land prices and building materials the Management Board of the Company predicts that the value of the investment may increase compared to original estimates.

The Company intends to accomplish the aforementioned investment strategy from the assets raised during the conducted public offering of share (PLN 6,300,000.00), loans, bank credits and generated profits.

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

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

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

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

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

**17. Characteristics of the external and internal factors important for the development of the issuer's company and the description of the perspective for 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**

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

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



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

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

### Diversification of the suppliers and vertical integration

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

### Products

The Company shall continue the strategy currently in force. The Issuer, by means of preceding its actions with market research and quality tests, systematically introduces on the market and shall continue to introduce on the market new products of the nuts and dried fruits and poppy-seed fillings group. This type of strategy allows for current adjustment of the Company's own offer to the needs and inclinations of the client.

### The marketing strategy

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

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

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

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

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

The Management Board personnel consist of:

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

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

The Supervisory Board consists of:

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

The rules governing appointing and dismissing the managing personnel:

Pursuant to §10 of the Company's statutes, the Members of the Management Board are appointed and dismissed by the Supervisory Board with provision for the Members of the Management Board of the first term of office who were appointed by the Meeting of Shareholders of the transformed company in the process of the transformation of the legal form of the Company.. The Company Management Board consists of one to three members. While choosing the Members of the Management Board, the Supervisory Board shall specify the number of the Members of the Management Board and determine the functions which the appointed person shall perform in the Company's Management Board. The members of the Management

Board are appointed for a joint term of office. The Management Board term shall last five years.

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

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

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

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

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

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

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

The value of remunerations and prizes of the Members of the Management Board in the business year 2006/2007 was the following:

- Leszek Wąsowicz - President of the Management Board – PLN 190,821.65 net
- Justyna Wąsowicz - Vice-President of the Management Board – PLN 139,089.00 net

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

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

According to the knowledge of the Management Board of HELIO S.A, on the day of closing the business year, i.e. 30 June 2008, the managing and supervising persons owned the following Company's shares (Table 4).

Table 4. The status of the shares owned by the managing and supervising persons for 30 June 2007.

Shareholder	Number of shares	Nominal value of the shares owned	Percentage share in the share capital	Number of votes at the general meeting	Percentage share in the total number of votes on GM
<b>Members of the Management Board</b>					
Leszek Wąsowicz	3,857,000	PLN 1,928,500	77.1%	3,857,000	77.1%
<b>Members of the Supervisory Board</b>					
Jacek Kosiński	15,000	PLN 7,500	0.3%	15,000	0.3%

Source: the Management Board of HELIO S.A

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

On the day of closing the business year, i.e. 30 June 2007, according to the knowledge of the Management Board of HELIO S.A, the structure of the shareholders holding more than 5% of votes at the Issuer's General Meeting was the following:

Table 5. The structure of the shareholders holding more than 5% of votes at the GM (for 30 June 2007)

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

Source: the Management Board of HELIO S.A

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

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

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

None.

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

Not applicable.

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

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

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

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

- analysis of the annual financial report of HELIO S.A. in accordance with the state for 30 June 2007,
- analysis of the annual financial report of HELIO S.A. in accordance with the state for 30 June 2008,
- analysis of the annual financial report of HELIO S.A. in accordance with the state for 30 June 2009,
- intra-year survey of the annual financial report of HELIO S.A. in accordance with the state for 31 December 2007
- intra-year survey of the annual financial report of HELIO S.A. in accordance with the state for 31 December 2008

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

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

the accountancy organization. The total cost of the above mentioned activities amounts to PLN 85,300 net.

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

The Company's Management Board declares that according to its best knowledge the 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 and the situation of the Company, including the description of the fundamental threats and risks.

The Company's Management Board declares that the entity entitled to analyze the financial reports, preparing the analysis of the 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 of the national law.

Wyględy, 23 November 2007

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

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