



**STATEMENT  
OF THE SUPERVISORY BOARD OF DELKO S.A.  
FOR THE YEAR 2010**

*Warsaw, May 2011*



The Statement of the Supervisory Board Delko S.A. for the year 2010 includes:

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**I. Information concerning the Supervisory Board's activities in the financial year 2010, along with assessment of the Board's work and the assessment of the internal control system and system managing risk significant for the Company.**

**1. The Supervisory Board and the Board of Directors of the Company.**

Makeup of the supervisory and executive body of Delko S.A. as of December 31, 2010:

✓ Supervisory Board:

- Mirosław Nowak – Chairman of the Supervisory Board,
- Leszek Wójcik – Deputy Chairman of the Supervisory Board,
- Mirosław Dąbrowski – Member of the Supervisory Board,
- Kazimierz Lubarda – Member of the Supervisory Board,
- Luiza Sobiecka – Member of the Supervisory Board,
- Wojciech Szymon Kowalski – Member of the Supervisory Board.

✓ Board of Directors:

- Andrzej Worsztynowicz – President of the Board
- Jerzy Tyszkowski – Vice President of the Board,
- Dawid Harsze – Board Member.

Changes in executive and supervisory bodies of the Company in 2010

- On June 29, 2010, the Ordinary General Meeting of Shareholders of the Company, with recommendations of financial investor Aviva Investors Poland S.A. -appointed Mr. Wojciech Szymon Kowalski as an independent Member of the Supervisory Board. Mr. Wojciech Szymon Kowalski is 46 years old, has Master's degree in economic sciences, he graduated from the University of Economics in Poznań, Faculty of Economics. New member of the Supervisory Board of Delko S.A. performed, among others, a managerial role in the Department of Business Outlook and Investments in the Division of



Capital Investments of Bank Staropolski S.A. in Poznań, was the Primary Market Deputy Director of the Brokerage House Polinwest S.A. based in Poznań, performed the function of Manager of the Office for Studies and Information of the BMT Brokerage House in Poznań, he was member of the Supervisory Boards of: Relpol S.A., Pfleiderer Grajewo S.A., W.Kruk S.A. and Elektrotim S.A. Mr. Wojciech Szymon Kowalski runs proprietorship business in the field of consulting, first of all, in the field of macroeconomics, stock markets, including, among others, commodity-produce and selected sectors and industries markets. In addition, the above person runs journalistic activity, among others, on the scope of macroeconomics, raw material and currency markets.

- On July 19, 2010, the Supervisory Board of Delko S.A. appointed Mr. Jerzy Tyszkowski to the Board. The Vice President of the Company's Board of Directors started to perform obligations from August 2, 2010. The new member of the Company's Board was, from 2005, the National Sales Manager of the Traditional Channel at Reckitt Benckiser (Poland). He is an expert in the field of sales organization and distribution. In the period 1997-2005, Jerzy Tyszkowski occupied many positions at Danone Sp. z o.o., including, among others, the position of the Retail Sales Development Manager, the Sales Project Manager and the Regional Director. In the years 1995-1997, he performed the function of Regional Sales Manager at Holco Sp. z o.o., while in the years 1994-1995 he was Seller at Coca-Cola West Poland Ltd.

Jerzy Tyszkowski holds an M. Sc. Eng. degree, he graduated from the Faculty of Electrical Engineering of the Poznań University of Technology, Postgraduate Studies "Grocery Marketing" in the Great Poland School of Business at the University of Economics in Poznań, as well as MBA studies, conducted by Greater Poland School of Business at the University of Economics in Poznań and in cooperation with Nottingham Trent University. In addition, he completed numerous courses in management, sales techniques, communication, negotiations and finance.

- On August 3, 2010. the Supervisory Board of the Company adopted a resolution on the dismissal of the previous President of the Board of Directors of the Company, Mr. Dariusz Kawecki. At the same time, the Board appointed Mr. Andrzej Worsztynowicz to the position of President of the Board of Directors of Delko S.A. Mr. Andrzej Worsztynowicz has been related with the Company for a dozen of years. From 1995 to June 16, 2000 he performed the function of President of the Board of Directors, from June 27, 2002 to January 15, 2004 he held the function of Vice-President of the Board, from



January 15, 2004 to November 06, 2008 the function of President of the Board of Directors, while from November 06, 2008 to June 04, 2009 he was Vice-President of the Board of Directors of Delko S.A. In addition, Andrzej Worsztynowicz was, among others, the Chairman of the Supervisory Board of the Delko OTTO Sp. z o.o., ran a proprietorship in the field of consulting, held managerial position in a private company of household chemistry manufacturer, he was Director at Forma Sp. z o.o. and Manager of ZPM H. Cegielski Cast-iron Foundry branch. Andrzej Worsztynowicz is the Supervisory Board Chairman in Ferrex Sp. z o.o., based in Poznań – a cast manufacturer.

The President of the company's Board of Directors holds an M. Sc. Eng. degree, graduated from the AGH University of Science and Technology in Cracow, Postgraduate Management Studies in the Great Poland School of Business at the University of Economics in Poznań, he holds a diploma of the Ministry of Treasury, authorizing to perform the function of a member of the supervisory board in companies of the State Treasury and completed numerous courses and trainings related to management, accounting and finance.

- On December 09 last year the Supervisory Board adopted a resolution on the appointment of Mr. Dawid Harsze as Member of the Board of Directors. Dawid Harsze is financial director at Delko S.A. Mr. Dawid Harsze started work in 2002 in ZPUH DEKA Sp. z o.o. at the position of financial and accounting specialist. From 2004, he was employed in Pharmacists 'Wholesale Store Galenica-Panax Sp. z o.o. on the position of financial and accounting specialist, then as a manager of controlling and economic inspection department. From 2009, he performed responsibilities of the Director for planning and logistics in the aforementioned company and was a Member of the Board of Directors. From 2010, Dawid Harsze was the financial director and a member of the Board of Directors of DHA Dolpharma Sp. z o.o. Dawid Harsze has Master's degree, he graduated from the University of Economics in Poznań, Postgraduate Study on Controlling at School of Banking in Poznań and numerous specialized courses.

- On December 09, 2010, the Supervisory Board accepted Mr. Dariusz Trusz's resignation from the function of a member of the Board of Delko S.A. Mr. Dariusz Trusz performed the responsibilities of the commercial director in the Company, taken by Mr. Jerzy Tyszkowski on August 01, 2010.

## 2. Activities of the Supervisory Board in 2010.

In 2010, the Supervisory Board of the Company held 10 recorded meetings. Performing the obligations arising from the Commercial Code and from the Articles of Association, the Supervisory Board adopted together 42 resolutions.

The most important tasks performed by the Supervisory Board in the last financial year included, among others:

- permanent supervision over the Company's functioning in all domains of its operations,
  
- analysis of financial results, assessment of the Company's prospect operations and of macroeconomic situation in the context of pursuing the strategic goals of Delko S.A.,
  
- submission to the General Meeting the annual written Statement of the Supervisory Board for 2009, covering: statement of the Supervisory Board of its operations in 2009, information on results of assessment of financial statements of Delko S.A. and the Delko Group of Companies for the financial year ended in December 31, 2009, information on the results of assessment of statements of the Board of Directors of operations of Delko S.A. and Delko Group of Companies in 2009, assessment of the Application of the Board of Directors concerning profit division for 2009, assessment of the Board's applications to the General Meeting of Shareholders of Delko S.A.,
  
- approval of the financial plan of the Company for 2010,
  
- appointment of the Company's members of the Board of Directors,
  
- expressing consent for the Board of Directors of the Company to granting the subsidiary company - Delko RTD Książcowa Sp. z o.o. - loan on market terms in the amount of 2.5 million PLN,
  
- expressing consent for the Board of Directors to granting surety of credit of Delko RDT Książcowa Sp. z o.o. up to the amount of 2 million PLN,



- expressing consent for the Board of Directors of the Company to granting surety of the credit incurred by the subsidiary – Nika Sp. z o.o. up to the amount of 900 000 PLN,
- expressing consent to purchasing 100% of shares in PH AMA S.A., based in Warsaw,
- expressing consent to purchasing shares of Frog MS Delko Sp. z o.o. based in Cracow,
- expressing consent to signing the investment contract concerning Cosmetics Sp. z o.o. based in Łomża,
- selecting the certified auditor that will carry out review and audit of financial statements of Delko S.A. and Delko Group of Companies for the 1st half-year of 2010 and of the financial year 2010,
- adopting uniform text of the Company's Articles of Association,
- adopting the Regulations of the Extraordinary General Meeting of Shareholders of Delko S.A.

### **3. Assessment of Board's work in 2010; brief assessment of the Company's situation, the internal control system and system managing risk significant for the Company.**

The Supervisory Board of Delko S.A. in 2010 conducted a current revision of Company's documents, data and information necessary for reliable assessment of the operations and prospects of its functioning. The Board assesses the actions of the Board of Directors on maintaining position in the industry as adequate to the current financial situation and sufficient in the context of predictable consequences in the present macroeconomic situation.

The Board positively approves strategy adopted for Delko S.A., which envisages further dynamic development of conducted operations. The concerned strategy assumes, among others, systematic strengthening of the position of the unquestioned leader on the market of FMCG goods



distribution with regard to industry chemical – cosmetics industry in Poland occupied by Delko Group. The Company will develop both organically and also by acquisitions. The Board of Management of Delko plans to increase substantially the level of revenues from sale of goods as well as products of its own brands. Retail sales network will also be developed.

As of December 31, 2010, the balance sheet total of the Company was 72.748 000 PLN, and was higher by 10.6% as compared to December 31, 2009, net revenues from sales amounted to 405.273 000 PLN, and were higher by 20.1%, as compared to the previous financial year. Net profit was at the level of 4,919 000 PLN, and was lower as compared to 2009 by 6.3%.

All ratios of economic operations and of the material and financial situation prove good financial condition of the Company and are a stable basis for further dynamic financial-economic development of Delko S.A.

The Supervisory Board conducted annual assessment of the internal control system and system managing risk significant for the Company. The internal control system of Delko S.A. covers two independent elements:

- institutional control - conducted in 2010, which scope of activities includes examination and assessment, in a manner independent and objective, of the adequacy and effectiveness of the internal control system and expressing opinions on corrective actions,
- functional control - performed systematically and continuously, by managers of all organizational units, related to undertaking decisions and executing operational activities in accordance with the procedures and internal regulations of the Company.

The Company has internal control procedures prepared in writing. In 2010, the verification and updating operating procedures process was continued for reinforcing control mechanisms in the following areas: finance, sale, purchasing and operations. Simultaneously new procedures in range of the Company's operations requiring additional or other than before securing its interests were prepared and implemented. The Company has a system of internal control adapted to organizational structure which covers organizational units of the Company, as well as subsidiaries. The Board of Directors of Delko



S.A. takes actions designed to ensuring continuity of monitoring the effectiveness of internal control mechanisms and identifies the areas of operation and processes requiring permanent monitoring.

In 2010, the audit analysis covered the majority of the processes taking place in the Company for assessment whether mechanisms of internal control are adequate and effective for proper operation of the Company and due securing its interests. Re- controls verifying efficacy and the correctness of implement corrective actions in areas that require implementation of such actions were also conducted.

In the opinion of the Supervisory Board, main risks that may have impact on the results of the Company's operations and Delko Group involve general economic situation in Poland and worldwide and possible sudden change in currency exchange rates.

**II. Information concerning the results of assessment of the financial statement of Delko S.A. for the financial year completed on December 31, 2010, the Statement of operations of Delko S.A. in 2010, financial statement of Delko Group of Companies for the financial year completed on December 31, 2010 and the Statement of operations of Delko Group of Companies in 2010.**

On the basis of Article 382, § 3 of the Commercial Code and § 16, passage 2, item 2.1 of the Company's Articles of Association, the Supervisory Board conducted assessment of:

1. unconsolidated financial statement of Delko S.A. for the financial year 2010 that includes:
  - statement of financial situation, prepared as at December 31, 2010, which presents the total balance of assets and liabilities in the amount of 72,748,000 PLN,
  - statement of comprehensive income for the financial year from January 1, 2010 to December 31, 2010, reporting net profit in the amount of 4,919,000 PLN,
  - statement of changes in equity for the financial year from January 1, 2010 to December 31, 2010, which presents increase in equity by the amount of 4,920,000 PLN,



- cash flow statement for the financial year from January 1, 2010 to December 31, 2010, reporting change in cash amounting to -2,312,000 PLN,

- Additional information and explanations,

2. Statements of operations of Delko S.A. in 2010,

3. Consolidated financial statement of Delko Group of Companies for the financial year 2010, covering:

- Consolidated financial statement of financial position, prepared as at December 31, 2010, which presents the total balance of assets, equity and liabilities in the amount of 116,418,000 PLN,

- consolidated statement of comprehensive income for the period from January 01, 2010 to December 31, 2010, which presents net profit in the amount of 5,794,000 PLN,

- consolidated statement of changes in equity for the period from January 1, 2010 to December 31, 2010, which presents increase in equity by the amount of 7,559,000 PLN,

- consolidated statement of cash flow for the period from January 1, 2010 to December 31, 2010, reporting change in cash within the period by the amount of -2,642,000 PLN,

- Additional information and explanations,

4. Statements of operations of Delko Group of Companies in 2010.

Acting on the basis of resolution of the Supervisory Board of June 08, 2010, the Board of Directors of Delko S.A. ordered examination of the unconsolidated and consolidated financial statement to "4AUDYT" Sp. z o.o. based in Poznań, on behalf of which acted:

Paweł Przybysz - President of the Board of Directors, Chartered auditor, license no. 11011,

Marcin Haufa – Vice President of the Board, Chartered auditor, license no. 11266.



The Supervisory Board became familiar with the opinions and reports of chartered auditors related to the unconsolidated and consolidated financial statement.

According to opinion of the examining body, AAUDYT Sp. z o.o., the conducted audit provided sufficient grounds to express a credible opinion. The auditing body confirms that unconsolidated and consolidated financial statements for the year 2010 present in all significant aspects reliably and clearly all information essential for the assessment of financial result for the financial year for the period from January 01, 2010 to December 31, 2010, and the Company's and the Delko Group's material and financial situation as of December 31, 2010. The financial statements were prepared correctly, that is, in accordance with the principles (policy) of accounting, resulting from the International Accounting Standards, the International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission, and in the scope not regulated in these Standards – pursuant to the requirements of the Act on Accounting and issued on its basis executive regulations and on the basis of correctly kept accounting books. The Statements are consistent with legal regulations affecting the form and content of the financial statements regulating preparation of financial statements and with the provisions of the Company's Articles of Association. They present data consistent with requirements of the Regulation of the Minister of Finance of February 19, 2009 on current and periodical information provided by issuers of securities and conditions for recognition as equivalent of information required by legal regulations of a state not being a member state (Journal of Laws of 2009, No. 33, item 259). On the other hand, the statements of the Board of Directors of operations of the Company and of Delko Group of Companies for the financial year from January 01, 2010 to December 31, 2010 are consistent with financial statements and take account of the provisions of the Regulation of the Minister of Finance of February 19, 2009 on current and periodical information provided by issuers of securities and conditions for recognition as equivalent of information required by legal regulations of a state not being a member state (Journal of Laws of 2009, No. 33, item 259).

Having read the above financial statements, statements of operations and basing on the content of opinions and reports of independent chartered auditor - the Supervisory Board conducted its own assessment of the situation of the Company's and of the Group of Companies. The Board hereby states the compliance of these documents with reliably and correctly kept accounting books and with the actual state. Data contained in the unconsolidated financial statement of Delko S.A. for the financial year 2010 and in the consolidated financial statement of the Delko Group of Companies for the financial



year 2010 correctly and completely characterize financial situation and reflect reliably and clearly all information essential for assessment of result of operations, profitability and cash flows in the audited period from January 01, 2010 to December 31, 2010

The Supervisory Board declares that financial information included in statements of the Board of Directors of operations of the parent company and Delko Group of Companies in the financial year 2010, are taken directly from the audited financial statements and are compliant with them.

After assessment of the concerned statements and financial results for the financial year 2010, the Supervisory Board applies for granting the vote of approval to members of the Board of Directors of Delko S.A. for performance of their obligations in 2010.

### **III. Assessment of the application of the Board of Directors concerning profit distribution for the financial year 2010.**

The Supervisory Board became familiar with the Application of the Company's Board with regard to profit distribution for the financial year 2010. The Board accepts and approves of the stand concerning the issue of the intended use of the entire earned net profit in the amount of 4 919 260.85 PLN for backing up the supplementary capital of Delko S.A. and presents such information to the General Meeting of Shareholders that was summoned at June 21, 2011.

### **IV. Information concerning principles of corporate governance.**

The Supervisory Board declares that in the Company in 2010 adopted principles of corporate governance were observed, according to position of the Board of Directors of Delko S.A. concerning compliance with the abovementioned, which the Company publishes under information obligations and includes it on the web site: <http://investor.delko.pl/lad-korporacyjny>.



In the Supervisory Board no committees have been separated: for audit and remunerations. In any cases belonging to the competences of the abovementioned committees, the Supervisory Board of the Company conducted works and made decisions jointly.

**V. Applications of the Supervisory Board directed to the Ordinary General Meeting of Shareholders of Delko S.A. summoned at June 21, 2011.**

The Supervisory Board applies to the General Meeting of the Shareholders, summoned at June 21, 2011 to:

1. approve the unconsolidated financial statement of Delko S.A. for the financial year 2010,
2. approve the consolidated financial statement of Delko Group of Companies for the financial year 2010,
3. approve the statement of the Board of Directors of operations of Delko S.A. in 2010,
4. approve the statement of the Board of Directors of operations of Delko Group of Companies in 2010,
5. approve the statement of the Supervisory Board of the Company for 2010,
6. approve the application of the Board of Directors for distribution of profit of Delko S.A. for the financial year 2010 and its allocation in full for backing up the supplementary capital of the Company,
7. granting to Members of the Board of Directors of Delko S.A. the vote of approval in respect of performance of their obligations in the financial year 2010,
8. granting to Members of the Supervisory Board of Delko S.A. the vote of approval in respect of performance of their obligations in the financial year 2010.

Mirosław Nowel

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Leszek Wójcik .....

Mirosław Dąbrowski .....

Kazimierz Luberda .....

Luiza Sobecka .....

Wojciech Szymon Kowalski .....

*Warsaw, May 12, 2011.*