



**STATEMENT ON
APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES
BY DELKO S.A.
IN 2010**



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1. Indication of principles of corporate governance binding upon Delko S.A. and the place where the text of the above set is publicly available.

In 2010, the Company complied with the corporate governance principles included in the document "Good Practices of The Companies Quoted on The Warsaw Stock Exchange".

The set of the above principles is publicly available at the following address: <http://www.corp-gov.gpw.pl/assets/library/polish/dobrepraktyki2007.pdf>

2. Information on the extent to which the Company departed from provisions of the set of corporate governance principles, indication of these provisions and explanation of reasons for this departure.

Last year, Delko S.A. complied with the principles included in the document "Good Practices of The Companies Quoted on The Warsaw Stock Exchange", except for the following principles:

- In part III "Good Practice Applied by Members of Supervisory Boards", Rule no. 6, which states that: "At least two members of the Supervisory Board should meet the criterion of independence from the company and entities being in a close relation with the company. With regard to the criteria of independence of the members of the Supervisory Board, Appendix II to the Recommendation of the European Commission of 15 February 2005, concerning the role of non-executive directors or directors being members of the supervisory boards of companies quoted on the stock exchange and committee of the (Supervisory) Board should be applied. Regardless of the provisions of item b) of the abovementioned Appendix, a person being an employee of the Company, its subordinate or the related entity cannot be considered to conform to the criterion of independence mentioned in this Appendix. In addition, interrelation with a shareholder, excluding the virtue of independence of a member of the Supervisory Board as defined by this principle, is deemed to be an actual and significant interrelation with a shareholder having the right to exercise 5% and more of the general number of votes at the General Meeting."

In the opinion of the Company, the above Rule breaches significantly ownership rights of shareholders, among which one of the fundamental right is the possibility of unassisted decision-making by shareholders with defined share packages on the election of authorities. Significant shareholders have sufficient knowledge and experience in performing effective and proper owners' supervision by their own representatives, in whose knowledge and qualifications they fully trust. Members of the Supervisory Board of the Company, according to the opinion of the Company's Board of Directors, properly protect interests of all groups of shareholders.

- Rule no. 7:

"Under the Supervisory Board at least one audit committee should operate. This committee should consist of at least one member independent from the company and entities being in important relation with the company, competent in accounting and finance. In the companies where the Supervisory Board consists of the minimum number of members as required by law, tasks of the audit committee may be performed by the Supervisory Board."

Adoption of the above rule is not possible owing to non-adoption of rule no. 6.

- Rule no. 8, which says:

"With regard to tasks and functioning of committees operating in the Supervisory Board, Appendix I to the Recommendation of the European Commission of 15 February 2005, concerning the role of non-executive directors (...) should be applied.

Since, at the moment, the Company does not intend to apply rule no. 7, it is not possible to adopt complete application of rule no. 8.

3. Description of the main features of internal control and risk management systems applied in the Company with regard to the process of preparation of financial statements and consolidated financial statements.

Delko S.A. has internal control system with regard to keeping accounting and preparing financial statements, ensuring reliable and clear presentation of the financial and property situation of the Company. Supervision over the system in question is performed by the Board of Directors of Delko S.A. The internal control system, to the extent to which it involves financial statement, includes, in particular, control of processes of purchase and sale and trading of cash. The Company has implemented and applies suitable methods of protection of the access to data and computer system of data processing, including storage and protection of, among others, accounting books and accounting documentation.

Delko S.A. has documentation approved by the Board of Directors, which describes the adopted accounting principles (policy), resulting from the International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission, and in the scope not regulated by these Standards, pursuant to the requirements of the Act on Accounting and executive regulations issued on its basis.

Annual financial statements of the Company are subject to audit, and mid-year statements are reviewed by the entity holding appropriate rights, selected by the Supervisory Board.

Statements of Delko S.A. are published in accordance with relevant regulations of law.

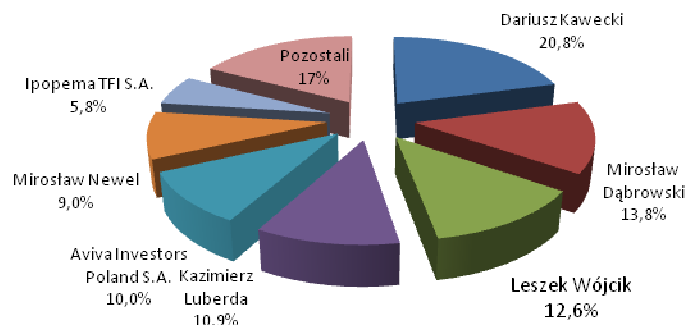
4. Indication of shareholders holding, either directly or indirectly, substantial (min. 5%) share packages, along with indication of the number of shares owned by these entities, their percentage share in initial capital, number of votes resulting from them and their percentage share in the overall number of votes at the general meeting.

The shareholders holding, either directly or indirectly through subsidiaries, at least 5% of the overall number of votes at the General Meeting of Shareholders of Delko S.A. as at 31 December 2010 were:

- ✓ Dariusz Kawecki (jointly, directly and indirectly through Doktor Leks S.A.) – 1,243,859 shares and votes at the General Meeting of Shareholders of the Company (including, directly: 139,559 shares and votes at the General Meeting of Shareholders of the Company; Doktor Leks S.A. jointly: 1,104,300 shares and votes at the General Meeting of Shareholders of Delko S.A.),
- ✓ Mirosław Dąbrowski (jointly, directly and indirectly through P.H. Otto Sp. j.) – 828,160 shares and votes at the General Meeting of Shareholders of the Company (including, directly: 455,760 shares and votes at the General Meeting of Shareholders of the Company; P.H. Otto Sp.j. 372,400 shares and votes at the General Meeting of Shareholders of Delko S.A.),
- ✓ Leszek Wójcik (together, indirectly through Delkor Sp. z o.o.) – 751,360 shares and votes at the General Meeting of Shareholders of the Company,
- ✓ Kazimierz Luberda and Teresa Luberda – together: 651,540 shares and votes at the General Meeting of Shareholders of the Company (including Kazimierz Luberda: 629,900 shares and votes at the General Meeting of Shareholders of the Company; Teresa Luberda: 21,640 shares and votes at the General Meeting of Shareholders of Delko S.A.),
- ✓ Aviva Investors Poland S.A. - 597,000 shares and votes at the General Meeting of Shareholders of the Company,
- ✓ Mirosław Nowel – 536,950 shares and votes at the General Meeting of Shareholders of the Company,
- ✓ Ipopema TFI S.A. - 344,628 shares and votes at the General Meeting of Shareholders of the Company.

Percentage share in initial capital

and share in the overall number of votes at the General Meeting of Shareholders of Delko S.A.



5. Indication of holders of any securities that give special control rights along with a description of these rights.

The Company did not issue securities that would give special control rights in relation to it.

6. Indication of any limitations with regard to exercising the voting right, such as limitation in exercising the voting right of a certain part or number of votes, time limitations concerning exercising the voting right or provisions, pursuant to which, in cooperation with the company, the equity rights related to securities are separated from holding securities. Indication of any limitations concerning transfer of ownership right to securities of the Company.

Delko S.A. did not introduce any limitations concerning exercising the voting right. The only limitations in selling the Company's shares result from the submitted statements, as below.

Members of the Board of Directors in 2010: Dariusz Kawecki and Andrzej Worsztynowicz, and of the Supervisory Board: Mirosław Dąbrowski, Mirosław Nowel, Kazimierz Luberda, Luiza Sobecka, and shareholders of the Company: Roman Zięba, Delkor Sp. z o.o., PH Otto Sp. j., Doktor Leks S.A., holding A and B series shares - submitted statements on limited transferability of shares held by them. In the statement in question, they undertook that in the period of 12 months from

starting quotations of the Company's shares on the Stock Exchange in Warsaw S.A. they would not sell shares in the Company they held on the date of submission of the above statement. In the event of shareholders breaching

the submitted statements, they bear responsibility for damage caused in this way on the general terms, specified in the Civil Code.

7. Description of the principles concerning appointment and dismissal of executives and their rights, in particular the right to make decision on the issuance or repurchase of shares.

The Board of Directors of Delko S.A. operates in accordance with rights resulting from the Code of Commercial Companies, provisions of the articles of association and Regulations of the Board of Directors adopted by the Board of Directors and approved by the Supervisory Board, as well as resolutions of the Supervisory Board and of the General Meeting.

The Board of Directors of the Company consists of two to seven members. The number of members of the Board is determined by the Supervisory Board. The term of office of the Board of Directors is two years.

The Supervisory Board may dismiss the President of the Board of Directors, member of the Board of Directors or the whole Board of Directors before the end of the term of office.

Mandates of members of the Board of Directors expire at the latest on the date of holding the General Meeting, approving the financial statement for the last financial year of performing the function of a member of the Board of Directors. The mandate expires also in consequence of death, resignation or dismissal from makeup of the Board of Directors. The Board Member may at any time submit resignation from the performed function.

The Board Member may be at any time dismissed by the Supervisory Board. In addition, for important reasons, the Supervisory Board may suspend in activities particular or all members of the Board of Directors and delegate members of the Supervisory Board to temporary performance of activities of members of the Board of Directors who have been dismissed, resigned or cannot perform their activities for other reasons. The Board of Directors has the right to establish proxies or attorneys of the Company.

To submit statements and to sign documents on behalf of the Company, cooperation of two members of the Board jointly is required.

The Board of Directors makes decisions in the form of resolutions at meetings summoned by the President of the Board of Directors on their initiative or at the request of a member of the Board of Directors or of the Supervisory Board. Resolutions of the Board of Directors may be adopted besides a meeting of the Board of Directors, in writing or using means of direct remote communication, provided that all Board members have been

notified of the content of draft resolution. Voting in mode referred to in the previous sentence may be ordered by the President of the Board of Directors on their own initiative or at the request of any other member of the Board of Directors.

Resolutions of the Board of Directors are adopted by absolute majority of votes, and if they are made at a meeting of the Board of Directors, for their validity, presence of all at least half of members of the Board of Directors is required.

The Board of Directors is a body authorized to conduct issues of the Company and represent it outside. Competences of the Board of Directors embrace all matters of the Company arising from the articles of association, related to running the Company's matters and not reserved for the General Meeting of Shareholders and of the Supervisory Board.

The Regulations of the Board of Directors constitute Appendix no. 4 to this Statement (page 42).

8. Description of the principles of changes in the Articles of Association of the Company.

A change in the Articles of Association of the Company proceeds in accordance with Article 430, § 1 of the Code of Commercial Companies, and § 10, passage 1, item 1.6. of the articles of association of the Company by way of a resolution of the General Meeting of the Company. The Company's Board of Directors, three weeks before holding the General Meeting of Shareholders of the Company, in the announcement about summoning the General Meeting according to Art. 402, § 2 of the Code of Commercial Companies, appoints the content of the designed changes in the Company's articles of association and previous provisions which are to be changed. In addition, after adoption of changes, each of them will be deemed invalid unless entered in the register of entrepreneurs of the National Court Register, kept by the court locally competent for the Company's registered office, and this entry is made at the request submitted according to Art. 430, § 2 of the Code of Commercial Companies by the Board of Directors not later than within three months from adoption of a resolution by the General Meeting.

The Articles of Association constitute Appendix No. 1 to this Statement (page 16).

9. The method of operation of the General Meeting and its basic rights, as well as description of rights of shareholders and the method of their exercising, in particular principles resulting from the Regulations of the General Meeting, provided that information in this respect results directly from legal regulations.

The method of summoning general meetings and principles of participation in them are defined by relevant provisions of the Code of Commercial Companies, articles of association and other legislation.

Rights and responsibilities related to shares in the Company are set forth in respective provisions of the Code of Commercial Companies, articles of association and legal regulations.

The regulations of the General Meeting of Delko S.A. constitute Appendix no. 2 to this Statement (page 24).

10. Makeup and changes which took place over the last financial year, and description of operations of executive, supervisory bodies of Delko S.A. and their committees.

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

✓ Board of Directors:

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

✓ The 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 Lubierda – Member of the Supervisory Board,
- Luiza Sobiecka – Member of the Supervisory Board,
- Wojciech Szymon Kowalski – Member of the Supervisory Board.

-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, served as Office for Studies and Information Manager of the BMT Brokerage House in Poznań, he was member of the Supervisory Boards of: Relpol S.A., Pflederer 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 on the subject of macroeconomics, stock markets, including, among others, commodity-produce and selected sectors and industries markets. In addition, the aforementioned runs journalistic activity, among others, on macroeconomics, commodity and currency markets.

-on July 19, 2010, the Supervisory Board of Delko S.A. appointed Mr. Jerzy Tyszkowski to the Board. Vice President of the Company's Board of Directors started performing duties from August 2, 2010. New member of the Company's Board since 2005 was the National Sales Manager by Traditional Channel in Reckitt Benckiser (Poland) He is an expert in the field of sales organization and distribution. In the 1997-2005 period, Jerzy Tyszkowski occupied many positions in Danone Sp. z o.o. limited liability company, 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 served as the Regional Sales Manager in Holco Sp. z o.o. limited liability company, while in the years 1994-1995 he was a Seller in Coca-Cola West Poland Ltd.

Jerzy Tyszkowski holds an M. Sc. Eng. degree, graduated from the Electrical Department of Technical University of Poznań, 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 passed a resolution concerning the appeal 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 for the position of the President of the Board of Directors of Delko S.A.. Mr. Andrzej Worsztynowicz has been associated with the Company for a dozen of years. Since 1995 to June 16, 2000 he has performed the function of the President of the Board of Directors, from June 27, 2002 to January 15, 2004 held the function of the Vice-President of the Board, from January 15, 2004 to November 06, 2008. the function of the President of the Board of Directors, while from November 06, 2008 to June 04, 2009 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 the Director in 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. limited liability company, having its seat in Poznań – a cast manufacturer.

President of the company's Management Board holds an M. Sc. Eng. degree, graduated from the AGH University of Science and Technology in Kraków, 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 he completed numerous courses and trainings related to management, accounting and finance

-on December 09 last year the Supervisory Board accepted a resolution concerning the appointment of Mr. Dawid Harsze for the Member of the Board of Directors. Dawid Harsze is financial director of 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. Since 2004 he has been 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. Since 2009 he has performed responsibilities of the Director for planning and logistics in the aforementioned company and 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 the Higher Banking School in Poznań, and numerous specialized courses.

- On 09 December 2010, the Supervisory Board accepted resignation of Mr. Dariusz Trusz from the function of member of the Board of Delko S.A. Mr. Dariusz Trusz performed in the Company responsibilities of the sales director, which, from 01 August 2010, were taken over by Mr. Jerzy Tyszkowski.

See also item 7 of this Statement.

The Supervisory Board is composed of five to nine members. Members of the Supervisory Board are appointed and dismissed by the General Meeting of Shareholders. During the first meeting, members of the Supervisory Board elect from among them the Chairman and Deputy who form the Presidium of the Supervisory Board.

The election is made with an absolute majority of votes present at the meeting, on the other hand, dismissal of members of the Presidium may occur at the request of a member of the Supervisory Board with a number of minimum 2/3 of votes of members of the Supervisory Board.

Members of the Supervisory Board are appointed for the term of two years. Mandates of the Supervisory Board members expire as of the date of holding the General Meeting of the Shareholders, approving the financial statement of the Company for the last year of performing function by them.

Meetings of the Supervisory Board are held no less frequently than once every quarter. They are summoned by the Chairman of the Supervisory Board or- in the event of inability of summoning the meeting by the Chairman of the Supervisory Board- by Deputy Chairman of the Supervisory Board. In addition, the Chairman or their Deputy are required to summon meetings at the written request of the Board of Directors or a member of the Supervisory Board.

To hold the meeting and adopt resolutions, presence of at least half of its members is required, subject to notification of all members by registered mail at least 7 (seven) days prior to the date of session. Notices may be provided by facsimile, by e-mail or in person to a member of the Board, possibly persons authorized by them with receipt or confirmation of fax receipt. Resolutions will be valid also when its member, notified within the time limit referred to in the previous sentence, states in writing that expresses their consent to adopting a resolution of the Supervisory Board.

It is accepted to summon meetings of the Supervisory Board following the urgent procedure. Then, notice should be sent – at least three days before – by telegram, by fax, by telex, IT network or by messenger.

The Supervisory Board may adopt resolutions in writing or with remote communication means, provided that all the members have been notified of the content of draft resolution. Voting in mode referred to in the previous sentence may be ordered by the Chairman of the Supervisory Board on their own initiative or at the request of a member of the Supervisory Board or of the Board of Directors.

The Supervisory Board supervises operations of the Company. Competences of the Supervisory Board include in particular:

- assessment of financial statements of the Company and statements of the Board of Directors, as well as applications of the Board of Directors concerning profit distribution or loss coverage, and presentation to the General Meeting of annual written statement of the results of this assessment,
- approval of the Regulations of the Board of Directors,
- appointment, suspending and dismissal of members of the Board of Directors,
- appointment and change of chartered auditors auditing financial statements of the Company
- expressing consent to purchasing and selling real estate, perpetual usufruct or shares in real estate,
- expressing consent to creating subsidiaries as defined by the Code of Commercial Companies,
- determination of remuneration of members of the Board of Directors,
- expressing consent to incurring by the Company substantial liabilities and selling significant fixed assets or significant current assets not included in the budget approved by the Supervisory Board,

- expressing consent to adopting resolutions with regard to significant changes in the object of the Company's activities,
- representation of the Company in agreements and disputes with members of the Board of Directors,
- suspension in activities, for important reasons, of particular members of the Board of Directors and delegation of members of the Supervisory Board to temporary performance of activities of members of the Board of Directors who cannot perform their activities,
- expression of an opinion to the Board with regard to the method of exercising the voting right at the meetings of shareholders and general meetings of subsidiaries and affiliates,
- determination of issuance prices of new shares,
- determination of the term of opening and closing subscription of shares,
- approval of annual budgets presented by the Company's Board of Company and significant changes in these budgets as well as determination of the interim budget ,
- consent to incurring by the Company substantial liabilities not included in the budget approved by the Supervisory Board; substantial liabilities are liabilities with the value exceeding the equivalent of individually 50,000 PLN /fifty thousand Polish zloty/,
- expressing consent to the Company selling significant fixed assets or significant current assets, included in the budget approved by the Supervisory Board; significant fixed assets are assets as defined by Article 3, passage 1, item 13 of the Act of 29 September 1994 on accounting with the value exceeding the equivalent of individually 25,000 /twenty-five thousand/EUR according to the average exchange rate of the National Bank of Poland as of the last day of the month preceding transaction or the value of which is equal to at least 0.5% /five tenths percent/of equity Company's own according to the last audited financial statement; significant current assets are assets as defined by Article 3, passage 1, item 19 of the Act of 29 September 1994 on accounting, sold in the course of the Company conducting normal business operations for the benefit of
- the Company's contractors, on the basis of commercial contracts concluded by the Company, whose value is at least the equivalent of 250,000 /two hundred and fifty thousand/EUR according to the average exchange rate of the National Bank of Poland
- as of the last day of the month preceding transaction or the value of which is at least 5.0% /five percent/ of equity,
- authorization of the Board of Directors to open and close branches of the Company,
- the right to participate in meetings of the Board of Directors.

The Supervisory Board may delegate its members to individual performance of particular supervisory activities. The members of the Supervisory Board perform their activities in person.



The Supervisory Board acts on the basis of Regulations adopted by the General Meeting that determine detailed procedure of its operation.

The Regulations of the Supervisory Boards are Appendix no. 3 to this Statement (page 34).

Under the Supervisory Board of Delko S.A., no committees operate.

Andrzej Worsztynowicz
President of the Board of Directors

Jerzy Tyszkowski
Vice-President

Dawid Harsze
Board Member

Śrem, 29 April 2011