

## Letter to Shareholders of Delko SA

Dear Sir or Madam,

Due to the Covid epidemic, the year 2020 was extremely difficult for Delko Group in running its own general grocery stores, drugstores and logistics wholesalers with delivery.

However, Delko ends 2020 with **record-breaking financial and commercial results**. We managed to run our business smoothly despite many new problems and limitations.

Our employees stood at the forefront of the fight to supply the population with basic necessities and did not retreat an inch despite the raging COVID epidemic.

**We would like to thank our employees for that.**

Due to the COVID epidemic, 2020 has changed the product structure of the Group's sales. The sales of some product categories (e.g. disinfectants) increased quite significantly, but at the same time other categories, such as colour cosmetics – decreased.

Unfortunately, the COVID epidemic also resulted in an increase in labour costs, more sickness absences and an increase in expenditure on anti-Covid protection.

The supply chain also broke periodically and some goods were in short supply.

Despite the restrictions, we started to finalize **two small acquisitions** in the middle of the year:

1. **Delta** grocery store, Cash & Carry from **Zielona Góra**.

2. **Waldi** household chemicals, cleaning products and cosmetics wholesaler from **Komorniki** near Poznań.

Both companies have had an established position on the local market for about 30 years, and their acquisition allowed the Delko Group to complete the missing distribution area with, in real terms, low expenditures.

We ended the year 2020 with good, record results in the 25-year history of the Group:

- I. EBITDA of PLN 35.5 million**
- II. EBITDA margin 4.3%**
- III. P/EBIT 4.26 (P from Apr 23, 2020)**
- IV. Net profit of PLN 19.7 million**
- V. P/E 5.31 (P from Apr 23, 2020)**

**VI. YoY dynamics of net profit 47.4%**

**VII. Total sales PLN 818.3 million**

**VIII. Total sales dynamics yoy 8.9%**

**IX. P/BV 0.98 (P from Apr 23, 2020)**

**X. Equity per share = PLN 17.84**

**XI. Net profit per share = PLN 3.29**

When reading the financial results of our Group, please remember that due to the limitations of IFRS regulations:

- we do not consolidate the results of partially subsidiaries in the entire Group, i.e. A&K from Mielec (7 general food supermarkets – revenues in 2020: PLN 138.7 million, Delko share 50%) and Delta from Zielona Góra (C&C Wholesale – revenues in 2020: PLN 32,2 million, Delko share 50%);

- the implementation of the provision of IFRS16 modifying the recognition of lease and long-term lease agreements in the income statement reduces the result by approx. PLN 367,000.

Although we are still working in the difficult conditions of the COVID epidemic, **we are planning activities to expand the development of the Delko Group by the market of parapharmaceuticals and personal protective equipment.** Certainly, we do not forget about further modernization and development of our core business: stores and wholesalers, and in this area we are thinking about further acquisitions.

**The Group's financial standing and liquidity are good.**

**The Management Board will apply for a dividend payment to the Shareholders.**

**I wish both our Shareholders and Employees, Customers and Suppliers prosperity and health.**

Chairman of the Board

Dariusz Kawecki