



Chairman and President's Letter to the Stockholders

Dear Stockholders,

It's been a very challenging year, a true test of our capabilities as a company. We are pleased to say that we met 2020 head-on with new strategies, agility, and resilience.

As a result, we were able to weather significant changes due to the pandemic, and ultimately surpass our financial performance from the previous year. In fact, our core net income grew up to P10 billion—over 7.4% greater than last year's revenue.

Yes, COVID-19 has introduced major changes to our way of life. But our commitment to our partners and stakeholders, and mission to improve the lives of others, have stayed the same.

We continue to pursue strategic growth, and provide the best products and services for our customer base, while supporting government initiatives to ensure the health and protection of our customers, tenants, and employees.



Overall, the company ended 2020 on a positive note. We were able to achieve this by exercising flexibility across our business segments.

Net Sales **2020**

↑ **6.77%**
₱177.32 Billion
from previous year

Core Net Income **2020**

↑ **7.4%**
₱10.0 Billion
from previous year

Total Assets **2020**

↑ **15.37%**
₱178.19 Billion
from previous year

Business Segment Review

All business units were able to hold their own in maintaining their business operations and continued to deliver profitable operating results. Each segment encountered their own specific challenges in relation to the pandemic, and each responded accordingly with their own unique strategies.



Grocery Retail

The grocery retail business segment, in particular, proved to be a truly essential industry, serving the country by providing basic necessities, such as fresh meat and produce, hygiene products, and personal protective equipment. Puregold and S&R's extensive nationwide network of stores has bolstered our annual earnings, providing a much needed cushion and lift. We've also bolstered our retail business by strengthening our e-commerce efforts.

This segment was mainly responsible for how we were able to achieve high numbers for our core net income, given increased demand for the segment's products and services. In fact, grocery retail's segment revenue grew by 9.2% from the previous year, generating Php 168.63 billion.

Wine and Liquor Distribution

Though lockdown and quarantine restrictions enforced alcohol bans throughout the year, our wine and liquor segment stayed afloat through our strong portfolio of leading brands, our distribution network, and the agility of our business units.

In terms of net profit and margin, this segment experienced a 2.7% decrease, the least severe decrease across our business units. Even though segment revenue decreased by 23.8% this year, wine and liquor distribution still managed to generate revenue of Php 8.17 billion and a net profit of Php1.18 billion

The liquor industry is a growth industry. Recovering our numbers and surpassing our financial goals next year will simply be a matter of keeping our fundamentals solid, as we watch for the gradual reopening of trade and the loosening of liquor ban restrictions. Bouncing back is entirely doable, given our brand portfolio and the relationships our group of companies have established.



Real Estate

Like every other business, some aspects of our industry performed better than others. In relation to the Real Estate Segment, closures and quarantine regulations made operations generally more difficult. 47% of tenants' portfolios were directly affected by these shifts. As a result, net profit and margin decreased by 42.9%, amounting to P700 million. Segment revenue decreased by 21% from last year, generating Php 1.69 billion for 2020.

Despite the pandemic, the real estate segment continues to operate with recovery and expansion in mind. Cosco has begun work on commercial properties in Biñan, Laguna and Antipolo, Rizal.



Specialty Retail

The Speciality Retail Segment has always provided high quality, cost-efficient technologies for schools and offices. Office Warehouse has consistently passed annual historical sales for the past three years; however, COVID-19 took its toll, with the pandemic forcing the closure of offices and universities and therefore decreasing demand and business.

In 2020, the segment experienced a 42.5% decrease in net profit and margin compared to last year, bringing in P56 million. Segment revenue decreased by 31.8% from last year, bringing in Php 1.67 billion for 2020.

To help address these challenges, we increased Office Warehouse's online presence through e-commerce platforms and other technology-driven tools.





Our Employees

We at Cosco know that our employees are the lifeblood of our work, operations, and the way we service our country. This is why we continue to foster and cultivate a service that looks after the welfare of our employees and tenants. We also supported government regulations that ensure the health and protection of our people—from implementing in-store social distancing and sanitization, to encouraging work from home arrangements.

Over 56% of our employees are female, which indicates our commitment to gender parity and equal opportunity employment.

Once again, Puregold was recognized as one of the Philippine's 'Best Companies to Work For,' an honor and award that we've been given since 2018.

As of this point in 2021, our country is showing signs of recovery. Vaccination efforts are ramping up and travel restrictions are loosening. We hope to ride and boost this wave of recovery with our organic expansion programs, as well as improve the performance of our other business segments.

As for our sustainability efforts, we are formulating a comprehensive Climate Change Response Program to mitigate risk and decrease pollution. The company has also invested a significant amount in improving water sanitation and waste management across segments, which we will ramp up in the coming years.

In terms of social sustainability, the LCKK Foundation, Inc. has been instrumental in following through on our commitment to offer opportunities for quality education. Our foundation continues to initiate scholarship programs for youth in need of support, made possible with the support of our University and Local State College partners.

We salute our employees, officers, and staff for their amazing work this year! The struggles of 2020 have revealed everyone's deep commitment to Cosco's businesses, people, and culture. We are greatly encouraged by all the hard work, despite the myriad difficulties.

It was a major feat to provide the best service to our customers and deliver notable business returns for our partners and stakeholders in this challenging time.

To our Board of Directors, we are deeply grateful for your trust and support in the Management and Staff of Cosco Capital, Inc., and for standing by us.

Lucio L. Co
Chairman

Leonardo B. Dayao
President