



**Barlinek S.A. Capital Group**  
**Mid-year short form of consolidated financial statement for the six months ending on**  
**30 June 2008.**

## 1. Short form of consolidated financial statement

### 1.1. Selected financial data (thousands)

	thousands PLN		thousands EUR	
	II quarters of 2008	II quarters of 2007	II quarters of 2008	II quarters of 2007
	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
I. Net revenues from sales of products, goods and material	251 165	229 183	73 920	60 456
II. Profit (loss) on operating activities	24 669	29 523	7 260	7 788
III. Gross profit (loss)	23 934	27 389	7 044	7 225
IV. Net profit (loss)	39 447	26 423	11 610	6 970
V. Net cash flows from operating activities	7 669	4 877	2 257	1 287
VI. Net cash flows from investment activities	-211 976	-87 738	-62 386	-23 144
VII. Net cash flows from financial activities	207 181	89 265	60 975	23 547
VIII. Total net cash flows	2 874	6 404	846	1 689
IX. Total assets	1 166 571	823 480	347 794	218 673
X. Liabilities and reserves for liabilities	762 273	457 593	227 259	121 513
XI. Long term liabilities	422 777	325 656	126 044	86 477
XII. Short term liabilities	275 188	124 532	82 043	33 069
XIII. Equity	404 298	367 637	120 535	97 625
XIV. Share capital	96 780	96 780	28 853	25 700
XV. Number of shares	96 780 000	96 780 000	96 780 000	96 780 000
XVI. Profit (loss) per ordinary share (zł / EUR)	0.41	0.27	0.12	0.07
XVII. Diluted earnings (loss) per ordinary share (zł / EUR)	0.41	0.27	0.12	0.07
XVIII. Book value per share (zł / EUR)	4.18	3.80	1.25	1.01
XIX. Diluted book value per share (zł / EUR)	4.18	3.80	1.25	1.01
XX. Declared or paid dividend per share (zł / EUR)				

### 1.2. The EURO exchange rate was used to convert the "Selected financial data".

For converting balance sheet items in the tables of "Selected financial data" as of 30.06.2008, an average NBP EURO exchange rate effective on that day, i.e. – 1 EUR = 3,3542 PLN. Profit and loss of statement item and statement of cash flow shown in tables of "Selected financial data" for 2008 was converted using the exchange rate of 1 EUR = 3,4776 PLN (it's the average from the average NBP exchange rates from the last days of the previous 6 months of 2008).

For converting balance sheet items in the tables of "Selected financial data" as of 30.06.2007, an average NBP EURO exchange rate effective on that day, i.e. – 1 EUR = 3,7658 PLN. Profit and loss of statement item and statement of cash flow shown in tables of "Selected financial data" for 2007 was converted using the exchange rate of 1 EUR = 3,8486 PLN (it's the average from the average NBP exchange rates from the last days of the previous 6 months of 2007).

### 1.2. Short form of consolidated balance sheet in thousands PLN

BALANCE SHEET	30.06.2008	31.03.2008	30.06.2007	31.03.2007
<b>I. Fixed assets</b>	<b>747 066</b>	<b>724 726</b>	<b>467 792</b>	<b>407 132</b>
1. Intangible assets	754	851	919	968

<b>BALANCE SHEET</b>	<b>30.06.2008</b>	<b>31.03.2008</b>	<b>30.06.2007</b>	<b>31.03.2007</b>
2. Tangible fixed assets	718 269	702 859	450 778	390 355
3. Long-term receivables	0	0	0	0
3.1. From subsidiaries and affiliates	0	0	0	0
3.2. From other entities	0	0	0	0
4. Long-term investments	871	523	636	560
4.1. Real estate	0	0	0	0
4.2. Intangible assets	0	0	0	0
4.3. Long-term financial assets	871	523	636	560
a) in subsidiaries and affiliates	0	0	70	0
- shares	0	0	70	0
- granted loans	0	0	0	0
b) in other entities	871	523	566	560
- shares	12	12	12	13
- granted loans	859	511	554	547
4.4. Other long-term investments	0	0	0	0
5. Long-term deferred charges and accruals	27 172	20 493	15 459	15 249
5.1. Assets from deferred taxes	22 255	15 561	10 150	9 677
5.2. Other deferred charges and accruals	4 917	4 932	5 309	5 572
<b>II. Current assets</b>	<b>419 505</b>	<b>402 873</b>	<b>355 688</b>	<b>355 953</b>
1. Inventories	205 993	190 569	106 205	105 739
2. Short-term receivables	167 313	160 890	139 450	121 454
2.1. From subsidiaries and affiliates	0	0	0	0
2.2. From other entities	167 313	160 890	139 450	121 454
3. Short-term investments	13 274	25 575	90 368	110 984
3.1. Short-term financial assets	13 274	25 575	90 368	110 984
a) in subsidiaries and affiliates	0	0	0	0
b) in other entities	400	628	0	0
c) cash and other cash assets	12 874	24 947	90 368	110 984
3.2. Other short-term investments	0	0	0	0
4. Short-term deferred charges and accruals	32 925	25 839	19 665	17 776
<b>Total assets</b>	<b>1 166 571</b>	<b>1 127 599</b>	<b>823 480</b>	<b>763 085</b>
<b>LIABILITIES</b>				
<b>I. Equity</b>	<b>404 298</b>	<b>406 115</b>	<b>367 637</b>	<b>357 858</b>
1. Share capital	96 780	96 780	96 780	96 780
2. Own shares for sale (negative value)	0	0	0	0
3. Reserve capital	309 021	250 507	250 574	213 884
4. Revaluation reserve capital	0	0	0	0
5. Other reserve capital	0	0	0	0
6. Exchange gain (loss) on consolidation	-38 240	-26 592	-5 551	-3 051
a) currency translation gains	0	0	0	0
b) currency translation losses	38 240	26 592	5 551	3 051
7. Undistributed earnings or uncovered loss of previous periods	-2 710	55 813	-589	36 102
8. Net profit (loss)	39 447	29 607	26 423	14 143
<b>II. Minority shareholders capital</b>	0	0	0	0
<b>III. Reserve capital from consolidation</b>	0	0	0	0
<b>IV. Liabilities and reserves for liabilities</b>	<b>762 273</b>	<b>721 484</b>	<b>457 593</b>	<b>405 227</b>
1. Reserves for liabilities	64 301	64 636	7 399	4 652
1.1. Reserves for income tax	5 352	3 465	1 684	1 402

<b>BALANCE SHEET</b>	<b>30.06.2008</b>	<b>31.03.2008</b>	<b>30.06.2007</b>	<b>31.03.2007</b>
1.2. Social security reserves	319	286	301	293
a) long term	257	226	245	243
b) short term	62	60	56	50
1.3. Other securities	58 630	60 885	5 414	2 957
a) long term	40 303	42 333	0	0
b) short term	18 327	18 552	5 414	2 957
2. Long term liabilities	422 777	402 730	325 656	249 369
2.1. To subsidiaries and affiliates	0	0	0	0
2.2. To other entities	422 777	402 730	325 656	249 369
3. Short term liabilities	275 188	254 118	124 532	151 194
3.1. To subsidiaries and affiliates	0	0	0	0
3.2. To other entities	275 188	254 118	124 532	151 194
4. Accruals and deferred income	7	0	6	12
4.1. Negative goodwill	0	0	0	0
4.2. Other deferred charges and accruals	7	0	6	12
a) long term	0	0	0	0
b) short term	7	0	6	12
<b>Total liabilities</b>	<b>1 166 571</b>	<b>1 127 599</b>	<b>825 230</b>	<b>763 085</b>

### 1.5. Short form of consolidated profit and loss account (thousands PLN)

<b>PROFIT AND LOSS ACCOUNT</b>	<b>II quarter of 2008</b> 31.03.2008 - 30.06.2008	<b>II quarters of 2008</b> 01.01.2008 - 30.06.2008	<b>II quarter of 2007</b> 31.03.2007 - 30.06.2007	<b>II quarters of 2007</b> 01.01.2007 - 30.06.2007
<b>I. Net revenues from sales of products, goods and materials, including:</b>	<b>126 525</b>	<b>251 165</b>	<b>120 238</b>	<b>229 183</b>
- from subsidiaries and affiliates	0	0	0	0
1. Net revenues from sale of products	120 986	239 310	114 740	219 014
2. Net revenues from sales of products, goods and materials	5 539	11 855	5 498	10 169
<b>II. Cost of products, goods and materials sold, including:</b>	<b>83 153</b>	<b>164 592</b>	<b>79 103</b>	<b>149 656</b>
- from subsidiaries and affiliates	0	0	0	0
1. Cost of production	78 498	154 934	74 366	141 296
2. Cost of goods and materials sold	4 655	9 658	4 737	8 360
<b>III. Gross profit (loss) on sales (I-II)</b>	<b>43 372</b>	<b>86 573</b>	<b>41 135</b>	<b>79 527</b>
<b>IV. Cost of sales</b>	<b>22 044</b>	<b>42 019</b>	<b>20 685</b>	<b>34 031</b>
<b>V. General administrative expenses</b>	<b>9 165</b>	<b>19 854</b>	<b>5 896</b>	<b>14 936</b>
<b>VI. Profit (loss) on sales (III-IV-V)</b>	<b>12 163</b>	<b>24 700</b>	<b>14 554</b>	<b>30 560</b>
<b>VII. Other operating income</b>	<b>-764</b>	<b>1 788</b>	<b>378</b>	<b>743</b>
1. Revenue from sale of non-financial fixed assets	34	101	103	103
2. Subsidies	0	6	0	0
3. Other operating income	-798	1 681	275	640
<b>VIII. Other operating costs</b>	<b>586</b>	<b>1 819</b>	<b>1 122</b>	<b>1 780</b>
1. Cost of non-financial fixed assets sold	33	145	101	101
2. Revaluation of non-financial fixed assets	0	0	70	70

<b>PROFIT AND LOSS ACCOUNT</b>	<b>II quarter of 2008</b> 31.03.2008 - 30.06.2008	<b>II quarters of 2008</b> 01.01.2008 - 30.06.2008	<b>II quarter of 2007</b> 31.03.2007 - 30.06.2007	<b>II quarters of 2007</b> 01.01.2007 - 30.06.2007
3. Other operating costs	553	1 674	951	1 609
<b>IX. Profit (loss) on operating activities (VI+VII-VIII)</b>	<b>10 813</b>	<b>24 669</b>	<b>13 810</b>	<b>29 523</b>
<b>X. Financial revenue</b>	<b>22 041</b>	<b>42 035</b>	<b>576</b>	<b>10 921</b>
1. Share dividends, including:	1	1	1	1
- from subsidiaries and affiliates	0	0	0	0
2. Interest, including:	26	137	293	804
- from subsidiaries and affiliates	0	0	0	0
3. Income from sale of investments	0	0	0	0
4. Gain on revaluation of investments	0	0	0	0
5. Other	22 014	41 897	282	10 116
<b>XI. Financial costs</b>	<b>22 437</b>	<b>42 770</b>	<b>1 913</b>	<b>13 055</b>
1. Interest, including:	6 023	10 967	2 653	5 057
- to subsidiaries and affiliates	0	0	0	0
2. Loss on sale of investments	0	0	0	0
3. Gain on revaluation of investments	0	0	0	0
4. Other	16 414	31 803	-740	7 998
XII. Profit (loss) on sale of shares in subsidiaries and affiliates	0	0	0	0
<b>XIII. Profit (loss) on commercial activity (IX+X-XI+/-XII)</b>	<b>10 417</b>	<b>23 934</b>	<b>12 473</b>	<b>27 389</b>
XIV. Write off of goodwill on consolidation	0	0	0	0
XV. Write off of reserve capital on consolidation	0	0	0	0
<b>XVI. Gross profit (loss) (XIII-XIV-XV)</b>	<b>10 417</b>	<b>23 934</b>	<b>12 473</b>	<b>27 389</b>
<b>XVII. Profit on acquisition of a subsidiary</b>	<b>0</b>	<b>16 580</b>	<b>0</b>	<b>0</b>
<b>XVIII. Income tax</b>	<b>577</b>	<b>1 067</b>	<b>192</b>	<b>966</b>
a) current	169	193	383	517
b) deferred	408	874	-191	449
<b>XIX. Other obligatory decrease of gross profit (increased loss)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>XX. Net profit (loss) share of subsidiaries and affiliates consolidated by property law method</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
XXI. Profit (loss) of minority shareholders	0	0	0	0
<b>XXII. Net profit (loss) (XVI-XVII-XVIII+/-XX+/-XXI)</b>	<b>9 840</b>	<b>39 447</b>	<b>12 281</b>	<b>26 423</b>

### 1.5. Short form of statement of changes in consolidated equity (thousands PLN)

<b>CHANGES IN EQUITY</b>	<b>II quarter of 2008</b> 31.03.2008 - 30.06.2008	<b>II quarters of 2008</b> 01.01.2008 - 30.06.2008	<b>II quarter of 2007</b> 31.03.2007 - 30.06.2007	<b>II quarters of 2007</b> 01.01.2007 - 30.06.2007
<b>I. Opening balance of equity</b>	<b>378 426</b>	<b>378 426</b>	<b>343 486</b>	<b>343 486</b>
a) changes in adopted accounting principles	0	0	0	0
b) adjustments of fundamental errors	0	0	0	0

CHANGES IN EQUITY	II quarter of 2008	II quarters of 2008	II quarter of 2007	II quarters of 2007
	31.03.2008 - 30.06.2008	01.01.2008 - 30.06.2008	31.03.2007 - 30.06.2007	01.01.2007 - 30.06.2007
<b>I.a. Opening balance of equity after adjustments</b>	<b>378 426</b>	<b>378 426</b>	<b>343 486</b>	<b>343 486</b>
1. Opening balance of share capital	96 780	96 780	96 780	96 780
1.1. Changes in share capital	0	0	0	0
a) increase (due to)	0	0	0	0
- issuance of shares	0	0	0	0
b) decrease (due to)	0	0	0	0
- redemption of shares	0	0	0	0
1.2. Closing balance of share capital	96 780	96 780	96 780	96 780
2. Opening balance of called up share capital	0	0	0	0
2.1. Changes in called up share capital	0	0	0	0
a) increase (due to)	0	0	0	0
b) decrease (due to)	0	0	0	0
2.2. Closing balance of called up share capital	0	0	0	0
3. Opening balance of own shares	0	0	0	0
3.1. Changes in balance of own shares	0	0	0	0
a) increase (due to)	0	0	0	0
b) decrease (due to)	0	0	0	0
3.2. Closing balance of own shares	0	0	0	0
4. Opening balance of supplementary capital	250 507	250 536	213 884	213 884
4.1. Changes in supplementary capital	58 514	58 485	36 690	36 690
a) increase (due to)	58 523	58 523	36 690	36 690
- issue of shares above face value	0	0	0	0
- from profit distribution (statutory)	0	0	0	0
- from profit distribution (above the statutory minimum value)	58 523	58 523	36 690	36 690
b) decrease (due to)	9	38	0	0
- loss coverage	0	0	0	0
- other decreases	9	38	0	0
4.2. Closing balance of supplementary capital	309 021	309 021	250 574	250 574
5. Opening balance of revaluation reserve	0	0	0	0
5.1. Changes in revaluation reserve	0	0	0	0
a) increase (due to)	0	0	0	0
- revaluation of financial instruments	0	0	0	0
b) decrease (due to)	0	0	0	0
- sale of tangible fixed assets	0	0	0	0
5.2. Closing balance of revaluation reserve	0	0	0	0
6. Opening balance of other reserve capitals	0	0	0	0
6.1. Changes in other reserve capitals	0	0	0	0
a) increase (due to)	0	0	0	0
b) decrease (due to)	0	0	0	0
6.2. Closing balance of other reserve capitals	0	0	0	0

CHANGES IN EQUITY	II quarter of 2008	II quarters of 2008	II quarter of 2007	II quarters of 2007
	31.03.2008 - 30.06.2008	01.01.2008 - 30.06.2008	31.03.2007 - 30.06.2007	01.01.2007 - 30.06.2007
7. Exchange gain (loss) on consolidation	-38 240	-38 240	-5 552	-5 552
8. Opening balance of previous years' profit (loss)	85 419	55 813	50 244	36 102
8.1 Opening balance of previous years' profit	88 774	59 168	50 244	36 102
a) changes in adopted accounting principles	0	0	0	0
b) adjustments of fundamental errors	0	0	0	0
8.2 Opening balance of previous years' profit, after adjustments	88 774	59 168	50 244	36 102
a) increase (due to)	0	0	0	0
- distribution of previous years' profit	0	0	0	0
b) decrease (due to)	58 523	58 523	36 690	36 690
- distribution of previous years' profit	58 523	58 523	36 690	36 690
- other decreases	0	0	0	0
8.3. Closing balance of previous years' profit	30 251	645	13 554	-588
8.4. Opening balance of previous years' loss	3 355	3 355	0	0
a) changes in adopted accounting principles	0	0	0	0
b) adjustments of fundamental errors	0	0	0	0
8.5. Opening balance of previous years' loss, after adjustments	3 355	3 355	0	0
a) increase (due to)	0	0	0	0
b) decrease (due to)	0	0	0	0
8.6. Closing balance of previous years' loss	3 355	3 355	0	0
8.7. Closing balance of previous years' profit (loss)	26 896	-2 710	13 554	-588
9. Net profit	9 841	39 447	12 281	26 423
a) net profit	9 841	39 447	12 281	26 423
b) net loss	0	0	0	0
c) write-offs on profit (negative value)	0	0	0	0
<b>II. Closing balance of equity (BZ)</b>	<b>404 298</b>	<b>404 298</b>	<b>367 637</b>	<b>367 637</b>
<b>III. Equity including proposed profit distribution (loss coverage)</b>	<b>404 298</b>	<b>404 298</b>	<b>367 637</b>	<b>367 637</b>

### 1.6. Short form of consolidated cash flow statement (thousands PLN)

CASH FLOW	II quarter of 2008	II quarters of 2008	II quarter of 2007	II quarters of 2007
	31.03.2008 - 30.06.2008	01.01.2008 - 30.06.2008	31.03.2007 - 30.06.2007	01.01.2007 - 30.06.2007
<b>A. Cash flows from operating activities - indirect method</b>				
<b>I. Net profit (loss)</b>	<b>9 840</b>	<b>39 447</b>	<b>12 281</b>	<b>26 423</b>
<b>II. Total adjustments</b>	<b>-48 477</b>	<b>-31 778</b>	<b>-10 052</b>	<b>-21 546</b>
1. Profit (loss) of minority shareholders	0	0	0	0
2. Net profit (loss) share of subsidiaries and affiliates	0	0	0	0

CASH FLOW	II quarter of 2008	II quarters of 2008	II quarter of 2007	II quarters of 2007
	31.03.2008 - 30.06.2008	01.01.2008 - 30.06.2008	31.03.2007 - 30.06.2007	01.01.2007 - 30.06.2007
consolidated by property law method				
3. Amortisation and depreciation, including:	16 687	24 510	3 705	8 844
- Write off of goodwill on consolidation or Write off of reserve capital on consolidation	0	0	0	0
4. Exchange gains (losses)	-15 508	-7 488	573	-148
5. Interest and profit sharing (dividend)	4 870	9 684	2 508	4 528
6. Profit (loss) on investment activities	-1	44	-2	-2
7. Change in provisions	-335	53 896	2 747	3 471
8. Change in inventory	-15 424	-75 103	-465	-2 223
9. Change in receivables	-6 423	-14 636	-17 996	-41 051
10. Change in short-term liabilities excluding credits and loan	-6 540	6 327	3 472	15 023
11. Change in prepayments and accruals	-13 758	-17 174	-2 105	-7 566
12. Other adjustments	-12 045	-11 838	-2 489	-2 422
<b>III. Net cash flows from operating activities (I+/-II)</b>	<b>-38 637</b>	<b>7 669</b>	<b>2 229</b>	<b>4 877</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>				
<b>I. Inflows</b>	<b>34</b>	<b>102</b>	<b>103</b>	<b>103</b>
1. Disposal of intangible and tangible fixed assets	34	101	103	103
2. Disposal of investments in real property and in intangible assets	0	0	0	0
3. From financial assets, including:	0	1	0	0
a) in subsidiaries and affiliates	0	0	0	0
- sale of financial assets	0	0	0	0
- dividend and profit sharing	0	0	0	0
- repayment of long-term loans	0	0	0	0
- interest	0	0	0	0
- other inflows from financial assets	0	0	0	0
b) in other entities	0	1	0	0
- sale of financial assets	0	0	0	0
- dividend and profit sharing	0	1	0	0
- repayment of long-term loans	0	0	0	0
- interest	0	0	0	0
- other inflows from financial assets	0	0	0	0
4. Other inflows from investment activities	0	0	0	0
<b>II. Outflows</b>	<b>31 896</b>	<b>212 078</b>	<b>54 361</b>	<b>87 841</b>
1. Acquisition of intangible and tangible fixed assets	31 796	211 778	54 361	87 741
2. Investments in real property and in intangible	0	0	0	0

CASH FLOW	II quarter of 2008	II quarters of 2008	II quarter of 2007	II quarters of 2007
	31.03.2008 - 30.06.2008	01.01.2008 - 30.06.2008	31.03.2007 - 30.06.2007	01.01.2007 - 30.06.2007
assets				
3. For financial assets, including:	100	300	0	100
a) in subsidiaries and affiliates	0	0	0	0
- acquisition of financial assets	0	0	0	0
- granted loans	0	0	0	0
b) in other entities	100	300	0	100
- acquisition of financial assets	0	0	0	0
- granted loans	100	300	0	100
4. Dividends and other profit sharing paid out to minority shareholders	0	0	0	0
5. Other outflows from investment activities	0	0	0	0
<b>III. Net cash flows from operating activities (I-II)</b>	<b>-31 862</b>	<b>-211 976</b>	<b>-54 258</b>	<b>-87 738</b>
<b>C. CASH FLOWS FROM FINANCIAL ACTIVITIES</b>				
<b>I. Inflows</b>	<b>74 366</b>	<b>238 580</b>	<b>52 246</b>	<b>122 414</b>
1. Net inflows from issuance of shares and other capital instruments and from capital contributions	0	0	0	0
2. Credits and loans	74 366	238 580	52 246	122 414
3. Issuance of debt securities	0	0	0	0
4. Other inflows from financial activities	0	0	0	0
<b>II. Outflows</b>	<b>15 875</b>	<b>31 399</b>	<b>20 260</b>	<b>33 149</b>
1. Purchase of own shares	0	0	0	0
2. Dividends and other payments to shareholders	0	0	0	0
3. Profit distribution liabilities other than profit distribution payments to shareholders	0	0	0	0
4. Repayment of credits and loans	9 802	21 235	17 119	27 092
5. Redemption of debt securities	0	0	0	0
6. Payment of other financial liabilities	0	0	0	0
7. Payment of liabilities arising from financial leases	656	1 349	626	1 517
8. Interest	5 417	8 815	2 515	4 540
9. Other outflows from financial activities	0	0	0	0
<b>III. Net cash flows from investment activities (I-II)</b>	<b>58 491</b>	<b>207 181</b>	<b>31 986</b>	<b>89 265</b>
<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>-12 008</b>	<b>2 874</b>	<b>-20 043</b>	<b>6 404</b>
<b>E. Balance sheet change in cash, including:</b>	<b>-12 073</b>	<b>2 948</b>	<b>-20 616</b>	<b>6 552</b>
- change in cash due to exchange differences	-65	74	-573	148
<b>F. Cash opening balance</b>	<b>24 947</b>	<b>9 926</b>	<b>110 984</b>	<b>83 816</b>
<b>G. Closing balance of cash (F+/-D), including</b>	<b>12 874</b>	<b>12 874</b>	<b>90 368</b>	<b>90 368</b>
- of limited disposability				

## 2. Mid-year individual financial statement Barlinek S.A.

### 2.1. Selected financial data (thousands)

	thousands PLN		thousands EUR	
	II quarters of 2008	II quarters of 2007	II quarters of 2008	II quarters of 2007
	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
I. Net revenues from sales of products, goods and material	216 761	202 115	62 331	52 516
II. Profit (loss) on operating activities	2 265	2 787	651	724
III. Gross profit (loss)	2 469	4 123	710	1 055
IV. Net profit (loss)	1 605	3 157	462	820
V. Net cash flows from operating activities	4 551	-13 941	1 309	-3 622
VI. Net cash flows from investment activities	-117 425	-4 983	-33 766	-1 295
VII. Net cash flows from financial activities	113 322	-25 085	32 586	-6 518
VIII. Total net cash flows	448	-44 009	129	-11 435
IX. Total assets	608 003	458 538	181 266	121 764
X. Liabilities and reserves for liabilities	320 717	172 544	95 617	45 819
XI. Long term liabilities	101 267	35 739	30 191	9 490
XII. Short term liabilities	206 487	130 195	61 561	34 573
XIII. Equity	287 286	285 994	85 650	75 945
XIV. Share capital	96 780	96 780	28 853	25 700
XV. Number of shares	96 780 000	96 780 000	96 780 000	96 780 000
XVI. Profit (loss) per ordinary share (zł / EUR)	0.02	0.03	0.00	0.01
XVII. Diluted earnings (loss) per ordinary share (zł / EUR)	0.02	0.03	0.00	0.01
XVIII. Book value per share (zł / EUR)	2.97	2.96	0.88	0.78
XIX. Diluted book value per share (zł / EUR)	2.97	2.96	0.88	0.78
XX. Declared or paid dividend per share (zł / EUR)				

### 2.2. The EURO exchange rate was used to convert the "Selected financial data".

For converting balance sheet items in the tables of "Selected financial data" as of 30.06.2008, an average NBP EURO exchange rate effective on that day, i.e. – 1 EUR = 3,3542 PLN. Profit and loss of statement item and statement of cash flow shown in tables of "Selected financial data" for 2008 was converted using the exchange rate of 1 EUR = 3,4776 PLN (it's the average from the average NBP exchange rates from the last days of the previous 6 months of 2008).

For converting balance sheet items in the tables of "Selected financial data" as of 30.06.2007, an average NBP EURO exchange rate effective on that day, i.e. – 1 EUR = 3,7658 PLN. Profit and loss of statement item and statement of cash flow shown in tables of "Selected financial data" for 2007 was converted using the exchange rate of 1 EUR = 3,8486 PLN (it's the average from the average NBP exchange rates from the last days of the previous 6 months of 2007).

### 2.3. Mid-year individual balance sheet of Barlinek S.A. (thousands PLN)

BALANCE SHEET	30.06.2008	31.03.2008	30.06.2007	31.03.2007
<b>I. Fixed assets</b>	<b>390 170</b>	<b>371 730</b>	<b>271 329</b>	<b>282 546</b>
1. Intangible assets	291	368	540	623
2. Tangible fixed assets	13 014	10 091	9 418	9 650
3. Long-term receivables	0	0	0	0

<b>BALANCE SHEET</b>	<b>30.06.2008</b>	<b>31.03.2008</b>	<b>30.06.2007</b>	<b>31.03.2007</b>
3.1. From subsidiaries and affiliates	0	0	0	0
3.2. From other entities	0	0	0	0
4. Long-term investments	368 626	354 418	255 520	266 715
4.1. Real estate	0	0	0	0
4.2. Intangible assets	0	0	0	0
4.3. Long-term financial assets	368 626	354 418	255 520	266 715
a) in subsidiaries and affiliates	368 026	354 161	255 135	266 333
- shares	297 913	295 583	216 284	216 214
- granted loans	70 113	58 578	38 851	50 119
b) in other entities	600	257	385	382
- shares	12	12	12	13
- granted loans	588	245	373	369
4.4. Other long-term investments	0	0	0	0
5. Long-term deferred charges and accruals	8 239	6 853	5 851	5 558
5.1. Assets from deferred taxes	4 604	3 156	1 895	1 422
5.2. Other deferred charges and accruals	3 635	3 697	3 956	4 136
<b>II. Current assets</b>	<b>217 554</b>	<b>209 632</b>	<b>186 428</b>	<b>171 132</b>
1. Inventories	6 675	6 307	3 576	4 964
2. Short-term receivables	166 454	169 773	106 417	82 694
2.1. From subsidiaries and affiliates	49 471	59 829	14 023	2 902
2.2. From other entities	116 983	109 944	92 394	79 792
3. Short-term investments	17 725	16 315	48 690	61 255
3.1. Short-term financial assets	17 725	16 315	48 690	61 255
a) in subsidiaries and affiliates	14 024	13 087	13 747	1 031
b) in other entities	400	628	0	0
c) cash and other cash assets	3 301	2 600	34 943	60 224
3.2. Other short-term investments	0	0	0	0
4. Short-term deferred charges and accruals	26 700	17 237	27 745	22 219
<b>III. Fixed assets appointed for sale.</b>	<b>279</b>	<b>397</b>	<b>781</b>	<b>10 269</b>
<b>Total assets</b>	<b>608 003</b>	<b>581 759</b>	<b>458 538</b>	<b>463 947</b>
<b>LIABILITIES</b>				
<b>I. Equity</b>	<b>287 286</b>	<b>288 826</b>	<b>285 994</b>	<b>285 270</b>
1. Share capital	96 780	96 780	96 780	96 780
2. Own shares for sale (negative value)	0	0	0	0
3. Reserve capital	188 435	185 666	185 666	193 991
4. Revaluation reserve capital	0	0	0	0
5. Other reserve capital	0	0	0	0
7. Undistributed earnings or uncovered loss of previous periods	465	3 234	391	-7 934
8. Net profit (loss)	1 606	3 146	3 157	2 433
<b>IV. Liabilities and reserves for liabilities</b>	<b>320 717</b>	<b>292 933</b>	<b>172 544</b>	<b>178 677</b>
1. Reserves for liabilities	12 963	7 628	6 610	4 242
1.1. Reserves for income tax	5 273	3 443	1 684	1 402
1.2. Social security reserves	70	70	68	66
a) long term	14	14	12	16
b) short term	56	56	56	50
1.3. Other securities	7 620	4 115	4 858	2 774
a) long term	0	0	0	0
b) short term	7 620	4 115	4 858	2 774
2. Long term liabilities	101 267	86 528	35 739	79 441

<b>BALANCE SHEET</b>	<b>30.06.2008</b>	<b>31.03.2008</b>	<b>30.06.2007</b>	<b>31.03.2007</b>
2.1. To subsidiaries and affiliates	0	0	0	0
2.2. To other entities	101 267	86 528	35 739	79 441
3. Short term liabilities	206 487	198 777	130 195	94 994
3.1. To subsidiaries and affiliates	75 378	67 417	27 376	18 147
3.2. To other entities	131 109	131 360	102 819	76 847
4. Accruals and deferred income	0	0	0	0
4.1. Negative goodwill	0	0	0	0
4.2. Other deferred charges and accruals	0	0	0	0
a) long term	0	0	0	0
b) short term	0	0	0	0
<b>Total liabilities</b>	<b>608 003</b>	<b>581 759</b>	<b>458 538</b>	<b>463 947</b>

### 2.5. Mid-year individual profit and loss account of Barlinek S.A. (thousands PLN)

<b>PROFIT AND LOSS ACCOUNT</b>	<b>II quarter of 2008</b> <b>31.03.2008 - 30.06.2008</b>	<b>II quarters of 2008</b> <b>01.01.2008 - 30.06.2008</b>	<b>II quarter of 2007</b> <b>31.03.2007 - 30.06.2007</b>	<b>II quarters of 2007</b> <b>01.01.2007 - 30.06.2007</b>
<b>I. Net revenues from sales of products, goods and materials, including:</b>	<b>108 572</b>	<b>216 761</b>	<b>107 503</b>	<b>202 115</b>
- from subsidiaries and affiliates	2 071	3 794	707	1 101
1. Net revenues from sale of products	426	800	1 701	1 922
2. Net revenues from sales of products, goods and materials	108 146	215 961	105 802	200 193
<b>II. Cost of products, goods and materials sold, including:</b>	<b>92 188</b>	<b>182 819</b>	<b>92 256</b>	<b>173 354</b>
- from subsidiaries and affiliates	1 750	3 234	524	797
1. Cost of production	70	157	283	319
2. Cost of goods and materials sold	92 118	182 662	91 973	173 035
<b>III. Gross profit (loss) on sales (I-II)</b>	<b>16 384</b>	<b>33 942</b>	<b>15 247</b>	<b>28 761</b>
<b>IV. Cost of sales</b>	<b>11 659</b>	<b>22 805</b>	<b>9 743</b>	<b>18 510</b>
<b>V. General administrative expenses</b>	<b>4 236</b>	<b>8 447</b>	<b>3 565</b>	<b>7 062</b>
<b>VI. Profit (loss) on sales (III-IV-V)</b>	<b>489</b>	<b>2 690</b>	<b>1 939</b>	<b>3 189</b>
<b>VII. Other operating income</b>	<b>205</b>	<b>2 670</b>	<b>10 519</b>	<b>12 212</b>
1. Revenue from sale of non-financial fixed assets	35	126	10 341	11 727
2. Subsidies	0	6	0	0
3. Other operating income	170	2 538	178	485
<b>VIII. Other operating costs</b>	<b>2 086</b>	<b>3 095</b>	<b>10 786</b>	<b>12 614</b>
1. Cost of non-financial fixed assets sold	137	250	10 227	11 593
2. Revaluation of non-financial fixed assets	0	0	70	70
3. Other operating costs	1 949	2 845	489	951
<b>IX. Profit (loss) on operating activities (VI+VII-VIII)</b>	<b>-1 392</b>	<b>2 265</b>	<b>1 672</b>	<b>2 787</b>
<b>X. Financial revenue</b>	<b>14 487</b>	<b>40 308</b>	<b>7 199</b>	<b>15 349</b>
1. Share dividends, including:	1	1	1	1
- from subsidiaries and affiliates	0	0	0	0
2. Interest, including:	1 791	3 503	1 577	3 431

PROFIT AND LOSS ACCOUNT	II quarter of 2008	II quarters of 2008	II quarter of 2007	II quarters of 2007
	31.03.2008 - 30.06.2008	01.01.2008 - 30.06.2008	31.03.2007 - 30.06.2007	01.01.2007 - 30.06.2007
- from subsidiaries and affiliates	1 770	3 413	1 300	2 645
3. Income from sale of investments	0	0	0	0
4. Gain on revaluation of investments	0	0	0	0
5. Other	12 695	36 804	5 621	11 917
<b>XI. Financial costs</b>	<b>14 253</b>	<b>40 104</b>	<b>7 924</b>	<b>14 013</b>
1. Interest, including:	3 300	6 292	1 547	3 285
- to subsidiaries and affiliates	0	0	0	0
2. Loss on sale of investments	0	0	0	0
3. Gain on revaluation of investments	0	0	0	0
4. Other	10 953	33 812	6 377	10 728
<b>XII. Profit (loss) on commercial activities (IX+X-XI)</b>	<b>-1 158</b>	<b>2 469</b>	<b>947</b>	<b>4 123</b>
<b>XIII. Gross profit (loss) (XII)</b>	<b>-1 158</b>	<b>2 469</b>	<b>947</b>	<b>4 123</b>
<b>XIV. Income tax</b>	<b>382</b>	<b>864</b>	<b>222</b>	<b>966</b>
a) current	0	0	413	517
b) deferred	382	864	-191	449
<b>XV. Other obligatory decrease of gross profit (increased loss)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>XVI. Net profit (loss) (XIII-XIV-XV)</b>	<b>-1 540</b>	<b>1 605</b>	<b>725</b>	<b>3 157</b>

## 2.5. Changes in equity of Barlinek S.A. (thousands)

CHANGES IN EQUITY	II quarter of 2008	II quarters of 2008	II quarter of 2007	II quarters of 2007
	31.03.2008 - 30.06.2008	01.01.2008 - 30.06.2008	31.03.2007 - 30.06.2007	01.01.2007 - 30.06.2007
<b>I. Opening balance of equity</b>	<b>285 680</b>	<b>285 680</b>	<b>282 837</b>	<b>282 837</b>
a) changes in adopted accounting principles	0	0	0	0
b) adjustments of fundamental errors	0	0	0	0
<b>I.a. Opening balance of equity after adjustments</b>	<b>285 680</b>	<b>285 680</b>	<b>282 837</b>	<b>282 837</b>
1. Opening balance of share capital	96 780	96 780	96 780	96 780
1.1. Changes in share capital	0	0	0	0
a) increase (due to)	0	0	0	0
- issuance of shares	0	0	0	0
b) decrease (due to)	0	0	0	0
- redemption of shares	0	0	0	0
1.2. Closing balance of share capital	96 780	96 780	96 780	96 780
2. Opening balance of called up share capital	0	0	0	0
2.1. Changes in called up share capital	0	0	0	0
a) increase (due to)	0	0	0	0
b) decrease (due to)	0	0	0	0

CHANGES IN EQUITY	II quarter of 2008	II quarters of 2008	II quarter of 2007	II quarters of 2007
	31.03.2008 - 30.06.2008	01.01.2008 - 30.06.2008	31.03.2007 - 30.06.2007	01.01.2007 - 30.06.2007
2.2. Closing balance of called up share capital	0	0	0	0
3. Opening balance of own shares	0	0	0	0
3.1. Changes in balance of own shares	0	0	0	0
a) increase (due to)	0	0	0	0
b) decrease (due to)	0	0	0	0
3.2. Closing balance of own shares	0	0	0	0
4. Opening balance of supplementary capital	185 666	185 666	193 991	193 991
4.1. Changes in supplementary capital	2 769	2 769	-8 325	-8 325
a) increase (due to)	2 769	2 769	0	0
- issue of shares above face value	0	0	0	0
- from profit distribution (statutory)	0	0	0	0
- from profit distribution (above the statutory minimum value)	2 769	2 769	0	0
b) decrease (due to)	0	0	8 325	8 325
- loss coverage	0	0	8 325	8 325
4.2. Closing balance of supplementary capital	188 435	188 435	185 666	185 666
5. Opening balance of revaluation reserve	0	0	0	0
5.1. Changes in revaluation reserve	0	0	0	0
a) increase (due to)	0	0	0	0
b) decrease (due to)	0	0	0	0
- sale of tangible fixed assets	0	0	0	0
5.2. Closing balance of revaluation reserve	0	0	0	0
6. Opening balance of other reserve capitals	0	0	0	0
6.1. Changes in other reserve capitals	0	0	0	0
a) increase (due to)	0	0	0	0
b) decrease (due to)	0	0	0	0
6.2. Closing balance of other reserve capitals	0	0	0	0
7. Exchange gain (loss) on consolidation	0	0	0	0
8. Opening balance of previous years' profit (loss)	6 380	3 234	-5 502	-7 934
8.1 Opening balance of previous years' profit	6 380	3 234	2 823	391
a) changes in adopted accounting principles	0	0	0	0
b) adjustments of fundamental errors	0	0	0	0
8.2 Opening balance of previous years' profit, after adjustments	6 380	3 234	2 823	391
a) increase (due to)	0	0	0	0
- distribution of previous years' profit	0	0	0	0
b) decrease (due to)	2 769	2 769	0	0
- distribution of previous years' profit	2 769	2 769	0	0
8.3. Closing balance of previous years' profit	3 611	465	2 823	391
8.4. Opening balance of previous years' loss	0	0	8 325	8 325
a) changes in adopted accounting principles	0	0	0	0
b) adjustments of fundamental errors	0	0	0	0

CHANGES IN EQUITY	II quarter of 2008	II quarters of 2008	II quarter of 2007	II quarters of 2007
	31.03.2008 - 30.06.2008	01.01.2008 - 30.06.2008	31.03.2007 - 30.06.2007	01.01.2007 - 30.06.2007
8.5. Opening balance of previous years' loss, after adjustments	0	0	8 325	8 325
a) increase (due to)	0	0	0	0
b) decrease (due to)	0	0	8 325	8 325
8.6. Closing balance of previous years' loss	0	0	0	0
8.7. Closing balance of previous years' profit (loss)	3 611	465	2 823	391
9. Net profit	-1 540	1 606	725	3 157
a) net profit	-1 540	1 606	725	3 157
b) net loss	0	0	0	0
c) write-offs on profit (negative value)	0	0	0	0
<b>II. Closing balance of equity (BZ)</b>	<b>287 286</b>	<b>287 286</b>	<b>285 994</b>	<b>285 994</b>
<b>III. Equity including proposed profit distribution (loss coverage)</b>	<b>287 286</b>	<b>287 286</b>	<b>285 994</b>	<b>285 994</b>

## 2.6. Mid-year individual financial statement of cash flow of S.A. (thousands PLN)

CASH FLOW	II quarter of 2008	II quarters of 2008	II quarter of 2007	II quarters of 2007
	31.03.2008 - 30.06.2008	01.01.2008 - 30.06.2008	31.03.2007 - 30.06.2007	01.01.2007 - 30.06.2007
<b>A. Cash flows from operating activities - indirect method</b>				
<b>I. Net profit (loss)</b>	<b>-1 540</b>	<b>1 605</b>	<b>725</b>	<b>3 157</b>
<b>II. Total adjustments</b>	<b>12 291</b>	<b>2 946</b>	<b>-3 514</b>	<b>-17 098</b>
1. Amortisation and depreciation, including:	683	1 346	650	1 288
2. Exchange gains (losses)	-130	151	1 987	1 168
3. Interest and profit sharing (dividend)	1 469	2 766	188	259
4. Profit (loss) on investment activities	15	-44	-134	-134
5. Change in provisions	5 335	2 808	2 369	2 934
6. Change in inventory	-369	-2 154	1 388	1 342
7. Change in receivables	3 320	-19 496	-23 723	-37 715
8. Change in fixed assets to be sold	118	217	9 487	10 732
9. Change in short-term liabilities excluding credits and loan	11 923	28 033	9 721	15 861
10. Change in prepayments and accruals	-10 849	-11 327	-5 820	-13 109
11. Other adjustments	776	646	373	276
<b>III. Net cash flows from operating activities (I+/-II)</b>	<b>10 751</b>	<b>4 551</b>	<b>-2 789</b>	<b>-13 941</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>				
<b>I. Inflows</b>	<b>5</b>	<b>78</b>	<b>5 464</b>	<b>5 464</b>
1. Disposal of intangible and tangible fixed assets	4	77	995	995

CASH FLOW	II quarter of 2008	II quarters of 2008	II quarter of 2007	II quarters of 2007
	31.03.2008 - 30.06.2008	01.01.2008 - 30.06.2008	31.03.2007 - 30.06.2007	01.01.2007 - 30.06.2007
2. Disposal of investments in real property and in intangible assets	0	0	0	0
3. From financial assets, including:	1	1	4 469	4 469
a) in subsidiaries and affiliates	0	0	4 468	4 468
- sale of financial assets	0	0	0	0
- dividend and profit sharing	0	0	0	0
- repayment of long-term loans	0	0	3 733	3 733
- interest	0	0	735	735
- other inflows from financial assets	0	0	0	0
b) in other entities	1	1	1	1
- sale of financial assets	0	0	0	0
- dividend and profit sharing	1	1	1	1
- repayment of long-term loans	0	0	0	0
- interest	0	0	0	0
- other inflows from financial assets	0	0	0	0
4. Other inflows from investment activities	0	0	0	0
<b>II. Outflows</b>	<b>20 366</b>	<b>117 503</b>	<b>7 349</b>	<b>10 447</b>
1. Acquisition of intangible and tangible fixed assets	3 295	3 915	1 212	1 626
2. Investments in real property and in intangible assets	0	0	0	0
3. For financial assets, including:	17 071	113 588	6 137	8 821
a) in subsidiaries and affiliates	16 971	113 288	6 137	8 721
- acquisition of financial assets	2 330	81 514	70	70
- granted loans	14 641	31 774	6 067	8 651
b) in other entities	100	300	0	100
- acquisition of financial assets	0	0	0	0
- granted loans	100	300	0	100
4. Dividends and other profit sharing paid out to minority shareholders	0	0	0	0
5. Other outflows from investment activities	0	0	0	0
<b>III. Net cash flows from operating activities (I-II)</b>	<b>-20 361</b>	<b>-117 425</b>	<b>-1 885</b>	<b>-4 983</b>
<b>C. CASH FLOWS FROM FINANCIAL ACTIVITIES</b>				
<b>I. Inflows</b>	<b>19 420</b>	<b>132 726</b>	<b>-4 520</b>	<b>0</b>
1. Net inflows from issuance of shares and other capital instruments and from capital contributions	0	0	0	0
2. Credits and loans	19 420	132 726	-4 520	0
3. Issuance of debt securities	0	0	0	0
4. Other inflows from financial activities	0	0	0	0
<b>II. Outflows</b>	<b>9 124</b>	<b>19 404</b>	<b>15 560</b>	<b>25 085</b>
1. Purchase of own shares	0	0	0	0
2. Dividends and other payments to shareholders	0	0	0	0

CASH FLOW	II quarter of 2008	II quarters of 2008	II quarter of 2007	II quarters of 2007
	31.03.2008 - 30.06.2008	01.01.2008 - 30.06.2008	31.03.2007 - 30.06.2007	01.01.2007 - 30.06.2007
3. Profit distribution liabilities other than profit distribution payments to shareholders	0	0	0	0
4. Repayment of credits and loans	5 870	13 552	13 481	20 954
5. Redemption of debt securities	0	0	0	0
6. Payment of other financial liabilities	0	0	0	0
7. Payment of liabilities arising from financial leases	289	550	334	966
8. Interest	2 965	5 302	1 745	3 165
9. Other outflows from financial activities	0	0	0	0
<b>III. Net cash flows from investment activities (I-II)</b>	<b>10 296</b>	<b>113 322</b>	<b>-20 080</b>	<b>-25 085</b>
<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>686</b>	<b>448</b>	<b>-24 754</b>	<b>-44 009</b>
<b>E. Balance sheet change in cash, including:</b>	<b>701</b>	<b>517</b>	<b>-25 281</b>	<b>-43 782</b>
- change in cash due to exchange differences	15	68	-527	227
<b>F. Cash opening balance</b>	<b>2 600</b>	<b>2 784</b>	<b>60 224</b>	<b>78 725</b>
<b>G. Closing balance of cash (F+/-D), including</b>	<b>3 301</b>	<b>3 301</b>	<b>34 943</b>	<b>34 943</b>
- of limited disposability				

### 3. Supplementary information to short form of mid-year consolidated financial statement for the 2nd quarter of 2008.

#### 3.1. Fundamental information.

The Barlinek S.A. Capital Group includes the following companies:

- Barlinek S.A. with registered offices in Kielce – holding company,
- Barlinek Inwestycje Sp. z o.o. with registered offices in Barlinek,
- Barlinek Innowacje Sp. z o.o. with registered offices in Barlinek,
- Barlinek Ukraina Sp. z o.o. with registered offices in Vinnycya – Ukraine,
- Barlinek Invest Sp. z o.o. with registered offices in Vinnycya – Ukraine,
- Barlinek Luxemburg S.A.R.L. with registered offices in Luxemburg,
- Barlinek Cyprus Limited with registered offices in Nicosia – Cyprus,
- Barlinek Norge AS with registered offices in Kongsberg – Norway,
- Barlinek RUS with registered offices in D. Szulma, Russia,
- Barlinek Deutschland GmbH with registered offices in Daun – Germany.
- S.C. Barlinek Romania S.A. (formerly S.C. Diana Forest S.A.) with registered offices in Bacau, Romania,
- BCDF Limited with registered offices in Nicosia – Cyprus,
- Barlinek RUS TRADE with registered offices in Moscow, Russia.

Holding company, Barlinek, a joint stock company with registered offices in Kielce, Aleja Solidarności 36, 25-323 Kielce, registered in the District Court in Kielce, X Commercial Division of the National Court Register under number KRS 0000018891 Core business of the company is – other wholesale: PKD 5190 Z.

Financial report as of 30.06.2008 has been prepared at the assumption that the business is to continue operating in the foreseeable future. There is a lack of circumstances, which could pose a threat to continue carrying on business.

Consolidated financial statement of Barlinek S.A. Group includes quarter ending on 30th June 2008 and contains comparable data for the same period of previous year.

Barlinek S.A. is an ultimate holding company and is independent of other companies.

The individual financial statements of the Grupa Barlinek S.A. subsidiary companies, form the basis of this financial statement.

#### Compliance statement.

The hereby consolidated financial statement has been prepared in compliance with the International Financial Reporting Standards ("IFRS") and IFRS, which are applicable in the EU. IFRS include standards and interpretations approved by the International Accounting Standards Board ("IASB") and by the International Financial Reporting Interpretations Committee ("IFRIC").

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, but have not passed as law:

#### **IFRS 7** Financial instruments: disclosure of information

The application of the new standard or its interpretation will not have a significant impact on the policy used by the Company.

### **3.2. Principles adopted for preparation of the report**

#### **DESCRIPTION OF ADOPTED ACCOUNTING PRINCIPLES, INCLUDING VALUATION OF ASSETS AND LIABILITIES, REVENUE AND COSTS, DETERMINATION OF FINANCIAL RESULT AND THE METHOD OF PREPARATION OF FINANCIAL STATEMENT AND COMPARABLE DATA.**

##### **1. Accounting principles.**

##### ***Tangible fixed assets and intangible assets.***

Tangible assets, tangible assets under construction as well as intangible assets are valued according to the purchase price or the cost of manufacturing less cumulated depreciation and all updated write-offs due to the loss of value.

Exchange rate variances in relation to liabilities in a foreign currency, which are associated with the purchase or manufacturing of tangible and intangible assets, refer to the profit and loss statement.

External financing costs are utilised as a portion of the purchase price or the cost of manufacturing subject to an alternative approach presented in IAS 23.

At the time of purchase, tangible assets will be segregated into component parts with a material value, to which a specific useful life can be applied.

The depreciation of tangible fixed assets and intangible assets is calculated using the straight line method in order to spread out their initial value, reduced by the end value – provided that it is of significant value – throughout its useful life. Depreciation write-offs shall begin on the first month following the month, in which the depreciable asset began its useful life and finalised in the month, when the asset is removed from the balance sheet or when it has been assigned to assets, which are to be sold. The depreciation method as well as end value and useful life of the tangible assets is verified as of each balance sheet date and if required a correction, which will affect the current or future accounting period is made.

Tangible assets, which are under construction are not subject to depreciation until they are finalised and appointed to commence its useful life as a tangible asset.

The Company uses the following yearly depreciation rates in reference to the fundamental tangible asset groups:

- perpetual usufruct right to the land: 2%
- buildings, commercial premises and civil engineering facilities: 4% – 5%
- equipment and machinery: 5% - 50%
- vehicles: 10% - 20%
- other tangible assets: 8.5% - 10%

The yearly depreciation rates regarding intangible assets are as follows:

- software: 20% - 50%.

**Fixed assets appointed for sale.**

In the case, when a fixed asset is available for sale in its current condition with a consideration for commonly accepted conditions for the sale of this type of asset and its sale as per sale plans, is very likely to take place within one year, the Company classifies such asset as appointed for sale. The value of such asset presented in the Company's financial statement is the lower of the following two: Balance sheet value and fair market value reduced by the cost of sale.

IFRS 5 "Fixed assets appointed for sale" applies to yearly accounting periods, starting 1 January 2005.

**Financial instruments.**

Financial instruments are divided into the following categories:

- financial assets held until due,
- financial assets valued by their fair market price by a financial result.
- loans and payables.
- financial assets available for sale.

Financial assets held until due are investments with a defined or possible to define payment structure and an established due date, which the Company is able to hold in their possession until that time. Financial assets held until due are valued by a depreciated cost using the effective interest rate method.

Due to short-term price fluctuations, financial instruments acquired for profit generating purposes are classified as financial instruments values by their fair market value through a financial result. Financial instruments valued by the fair price through a financial result are valued by the fair market price taking into account their market value as of the balance sheet date. Changes to the fair market value of these financial instruments are accounted for as income or financial cost.

Loans and payables are recognised according to the depreciated cost.

All other financial assets are financial assets, which are available for sale. Financial assets, which are available for sale are recognised as per fair market value with the transaction cost not included, taking into account their market value as of the balance sheet date. In the event of a lack of share market quotations on an active market and the inability to reliably define their fair price using alternative methods, the financial assets available for sale are valued as per purchase price less their value depreciating write-offs.

The positive and negative differences between the fair value and the purchase price, less the deferred tax applied to assets available for sale (if a market price has been established on an active regulated market or its fair value can be established in another reliable manner), are transferred to reserve capital by an updated valuation. A reduction in the value of assets available for sale as a result of a loss of value is accounted for in the profit and loss statement as a financial cost.

Financial assets held until due are classified as long-term assets, provided that their due date exceeds 12 months from the balance sheet date.

Financial assets valued by fair market price by a financial result are included in turnover assets, provided that the Board intends to utilise them within 12 months from the balance sheet date.

**Inventory.**

Goods and materials reserves are valued as per purchase price, but not higher than their net sale price. The Company keeps a quality/quantity goods and materials inventory register and the value of outgoings is valued as per average prices, i.e. prices set as an average amount on the scale of purchase prices.

Ready as well as semi-finished products are valued as per actual costs of manufacture, not higher than net selling prices. The costs of manufacture include costs, which remain in a direct relationship with a given product and a substantiated part of costs directly associated with the manufacture of that product (based on standard manufacturing capabilities). Although, they do not include external financing costs. The ready and semi-finished products quantity/quality inventory register is kept according to fixed prices based on a planned cost of manufacture and the inventory in the manufacturing progress is valued by the cost of direct materials and by a portion of the departmental costs.

The value of inventory is reduced by depreciation write-offs created in the event that the possible to obtain net sale price (constituting a net price, reduced by a discount, rebate and the cost of sale) is lower than the purchase price or the cost of manufacture individually established for each inventory assortment.

**Receivables from goods and services and other receivables.**

Receivables from goods and services are entered and presented as per initially invoiced amount, taking depreciation write-offs into account.

Long-term receivables are valued as per corrected purchase price (depreciated cost) using the effective interest rate method, reduced by loss of value write-offs.

An update entry is created, when objective evidence shows that the Company will not collect all of the receivables, which payable on the initial receivables terms. Bad debts are written off as other operating costs at the time they are deemed unrecoverable.

**Cash and equivalents.**

Cash and short-term investments presented in the balance sheet include cash in bank accounts and in the cash register as well as short-term investments with an initial maturity date of not more than three months.

**Accrued costs/expenses (assets).**

Deferred expenditures are entered in the amount of expenses associated with costs, which refer to future reporting periods.

The settlement of deferred expenditures takes place respectively to the amount of passed time. The time and manner of settlement is substantiated by the character of the settled expenses whilst observing careful valuation principles.

**Equity capital.**

Equity capital is shown in the amount defined in the Company's in the articles of incorporation at the court registry.

Reserve capital is created in accordance with the Company's articles of incorporation based on net profit, on the basis of the resolutions of the shareholders general meeting and the surplus from the sale of shares above their nominal value.

The updated valued capital includes amounts, which arose as a result of an updated tangible assets and long-term financial assets valuation, for which a market price register is kept. It also includes an amount of exchange rate variations, which came about as a result of securing the payment of currency liabilities associated with the execution of an investment project, since the time of settling the investment project.

**Reserves.**

Reserves are created in the event that following past events a probable, possible to be reliably estimated liability arises, which in the future has a high probability to cause an inflow of profit generating assets. The amount of created reserves shall be verified as of the balance sheet date in order to correct it in reference to the amount of estimates according to best knowledge on the date the financial statement is prepared.

In the event that the change in the value of money is significant at the time, the amount of reserves is established by discounting the expected future cash flow in line with current value using the gross discount rate, which reflects current market estimations concerning the value of money at the time and any possible risk associated with the given liability.

Potential liabilities, the execution of which is dependent on certain events taking place, which are out of the Company's control, are entered as contingent liabilities.

**Employment benefits.**

As per remuneration system obligatory in the Company, the employees are entitled to retirement packages, which constitute a program of defined benefits when their employment ceases. Retirement packages are issued as a once-off payment at the time of retirement. The amount of benefits is dependent on the period of employment and the employee's remuneration. The reserve created as per current value concerning the above future payments are to be adjusted to periods, to which these costs refer to. The current value of these liabilities shall be defined by an independent Actuary, at the same time the accrued liabilities are equal to the discounted

payments, which will be made in the future, taking employment turnover into consideration as well as the anticipated salary growth indicator.

**Interest bearing bank loans, borrowings and debentures.**

On initial recognition all bank loans, borrowings and debentures are formulated according to their acquisition price corresponding with fair value of the received cash reduced by costs related to acquiring the loan.

After initial recognition debentures, bank loans and borrowings subject to interest are priced according to depreciated cost with the use of the effective interest rate method, if the disparity has substantial impact on the Company's financial situation picture.

On defining the depreciated costs related to the acquisition of the loan as well as discounts and premiums obtained on settlement of the liability are taken into consideration.

Profits and losses are included in the profit and loss account on removal of the liability from the balance sheet and as a result of write-down calculation.

Credit and loan liabilities are classified as long-term or short-term based on the liability settlement date to balance date resulting from the contract.

**Liabilities from supplies and services.**

Liabilities from supplies and services are presented according to originally invoiced values. If the impact of time value of money is substantial, the liabilities' value is defined by discounting the forecast future cash flow do the current value. Gross discount rate reflecting current market time value of money evaluation is used. If a discounting method had been used, the increase of liabilities resulting from the passing of time is presented as financial costs.

**Leasing.**

Financial lease contracts which transfer all risks and benefits resulting from the ownership of the object of lease to the Company are presented in the balance sheet of the lease commencement day as the lower of the two following values: fair value of a fixed asset which is the object of lease or the current value of the minimal lease rent. The lease rent is divided into financial costs and reduction of the lease liability balance in a way that enables obtaining a fixed interest rate from the remaining liability. Financial costs are included directly into the profit and loss account.

Fixed assets used by virtue of financial lease are depreciated by the assessed period of fixed asset usage.

Lease contracts according to which the lessor keeps the whole risk and all benefits from ownership of the object of lease are considered operating lease contracts. Operating lease rent is presented as loss in the profit and loss account with the use of straight line method throughout the entire lease period.

**Income.**

Income is presented as a value, at which it is possible for the Company to gain economic profits related to a given transaction and in circumstances in which the income value can be reliably assessed. Income is recognised after subtraction of VAT and rebates. Also the criteria listed below concern income presentation.

*Sales of goods and products*

Products and goods income is presented if substantial risk and benefits from the ownership of the products and goods have been passed to the purchaser and the income value can be reliably assessed.

*Interest.*

Interest income is presented successively as it grows (with consideration of the effective interest rate method, which defines the discount rate for future cash income during the estimated financial instruments usage period) in relation to the balanced net value of a given element of the financial assets.

*Dividends.*

Dividends due are counted into the financial income for the day of passing of the Company's resolution on profit division, unless the resolution provides another day of the right to the dividend.

*Subsidies.*

If there is a justified certainty that a subsidy will be won and that all requirements related to it will be met, subsidies are presented by their fair value.

If a subsidy is related to a cost item, it is presented as income proportionally to costs which the subsidy is supposed to compensate. If a subsidy is related to an element of the assets, its fair value is presented in the future income account, and then, gradually, by equal annual write-offs, added to the profit and loss account throughout the estimated period of usage of an element of assets related to it.

### **Cost recognition.**

The costs are recognised in an amount, which is probable that the profits of the Company will be reduced by, and which can be reliably estimated.

The Company keeps a costs register calculation-wise and type-wise.

The costs of sold goods, products and materials include costs directly associated with the purchase of sold goods and materials or the manufacture of sold products. The cost of sales cover the overall costs directly associated with the execution of the selling process. The costs of general management include costs associated with managing the Company and administration costs.

### **Income tax**

Current income tax liabilities from legal persons are calculated according to Polish tax regulations.

For financial reporting purposes, an income tax reserve is created using the balance sheet liabilities method in reference to all transitional differences occurring on the balance sheet day between the taxable value of assets and liabilities and their balance sheet value shown in the financial statement.

Reserve of deferred tax is expressed in relation to all positive transitional differences with the exclusion in the following situations:

- when reserve of deferred tax arises as a result of initial recognition of business value or initial recognition of the asset or liability during transaction not constituting a connection of business entities at the time of it taking place, which does not affect the gross profit, nor the taxable income or taxable loss, as well as
- in a case of transitional positive differences which arise as a result of investments into subsidiary or associated companies and the share in joint ventures – with the exception of cases when the transitional due dates are reversed and are subject to investor's audit and when it's probable that in the foreseeable future the transitional differences will not be reversed.

Deferred tax assets are included in all negative transitional differences in such probable amounts, that taxable income will be reached which will allow to use the abovementioned differences, losses and exemptions in taxable income with the exemption of situation:

- When deferred tax assets concerning negative transitional differences are created as a result of initial entry of the asset or liability at the time of the transaction, which does not constitute the joining of the business entities and at the time of it taking place, they do not have any control over the gross financial result nor over the taxable income or loss as well as
- in the event of negative transitional differences as a result of investments into subsidiary or affiliated entities as well as shares in joint ventures, the deferred tax asset is entered into the balance sheet only in the amount that is probable in the foreseeable future that the abovementioned transitional differences will reverse and such an income will be achieved, which will allow to deduct the negative transitional differences.

The balance sheet value of the deferred tax asset is verified as of each balance sheet date and is subject to a respective reduction by the amount, which reflects the unachievable taxable income thought to be probable, which would allow to a partial or full utilisation of the asset concerning the deferred income tax.

The deferred income tax reserve and assets are entered into the balance sheet in compensated values, if such compensation entitlement exists.

The deferred income tax assets and reserves for deferred tax are valued using tax rates, which as per assumptions will be effective at the time, when the asset or reserve will be utilised, adopting tax rates as the basis (and tax legislation) effective as of the balance sheet date or such rates (tax legislation), which is known to be effective in the future on the balance sheet date.

Income tax, which refers to the items entered directly into equity capital is entered into equity capital and not in the profit and loss statement.

**2. Rules of consolidation**

- After preparing consolidated financial statement, following organisational procedures were implemented:
  - ⇒ holding company defined the composition and structure of the Capital Group as of 30th June 2008.
  - ⇒ all associated entities are subject to be included in the consolidated financial statement by a complete method,
  - ⇒ subsidiary entity consolidated by full method made mutual transaction agreements of reporting period and mutual settlements with holding company of the balance sheet day.
- After preparing financial consolidated report, the following essential procedures were implemented:
  - ⇒ data of subsidiary entity was summarised in a consolidated financial statement by a complete method, which is based on summing up all respective items in the report of that entity with the report of the holding company and to apply appropriate consolidating exclusions and corrections.
  - ⇒ consolidated corrections included:
    - exclusion of turnover from operations made in a given report period between affiliated entity covered by full consolidation,
    - exclusion of mutual payables and liabilities of every title,
    - exclusion from consolidated assets of the value of shares in subsidiary entity.
- PLN represents the functional currency. Consolidated financial statement is prepared in thousands PLN.
- Individual financial statements of Barlinek S.A. and Barlinek Inwestycje Sp. z o.o., were made pursuant to International Reporting Standards accepted by UE. Whereas individual reports of remaining subsidiary companies, i.e. Barlinek Innowacje Sp. z o.o., Barlinek Ukraina Sp. z o.o., Barlinek Invest Sp. z o.o., Barlinek Luxemburg S.A.R.L, Barlinek Cyprus Limited, Barlinek RUS, Barlinek Norge AS, Barlinek Deutschland GmbH, S.C. Barlinek Romania S.A., BCDF Limited and Barlinek RUS TRADE were transformed pursuant to International Reporting Standards for the purposes of preparing a consolidated financial statement for 2nd quarter of 2008.

**3. Information concerning the entities being acquired.**

In the first quarter of 2008 Barlinek S.A. acquired S.C. Diana Forest S.A. in Romania.

Date of acquisition: 31.01.2008

Percent of voting shares acquired: 99.903%.

Acquisition was executed according to balance as of 31.01.2008.

- Fixed assets 149,574 thousands PLN
- Current assets 22,596 thousands PLN
- liabilities 323,370 thousands PLN†
- Contingent liabilities 0 thousands PLN
- the settlement of acquisition of S.C. Diana Forest S.A. was completed using the acquisition method according to MSSF 3 based on fair value of assets and liabilities of S.C. Diana Forest S.A. valid as of the settlement date,
- the transaction of acquisition of S.C. Diana Forest S.A. included two separate transactions, i.e. purchase of shares of S.C. Diana Forest S.A. and purchase of liabilities of S.C. Diana Forest S.A. These transactions were settled jointly as they concerned mutually dependent operations.

The purchase price of S.C. Diana Forest S.A. thousands PLN	81,465
The purchase price of liabilities of S.C. Diana Forest S.A. PLN	6,346 thousands
Total thousands PLN	87,811

Net assets as of the day of purchase	-151,200 thousands PLN
Purchased liabilities	255,591 thousands PLN
Net assets adjusted by purchased liabilities	104,391 thousands PLN

Surplus of net assets above purchase price 16,580 thousands PLN.

According to MSSF 3 item 56 this surplus increases the result for current period.

According to ledgers of BARLINEK SA Group purchased liabilities amounted to 255,989 thousands PLN, while in ledgers of S.C. Diana Forest SA it amounted to 255,591 thousands PLN. This difference is a result of different currency exchange rates used currency translation of liabilities and, in compliance with MSR 21 it was reflected in financial result of current period.

### 3.3 Translation of comparable data of consolidated financial report for the 1st quarter of 2008 in connection with acquisition of S.C. Diana Forest S.A.

BALANCE SHEET	data as of the 31.03.2008	adjustments due to initial settlement of acquisition of the company	data as of the 31.03.2008 after adjustments
<b>ASSETS</b>			
<b>I. Fixed assets</b>	<b>668 100</b>	<b>56 626</b>	<b>724 726</b>
1. Intangible assets	842	9	851
2. Tangible fixed assets	561 355	141 504	702 859
3. Long-term receivables	0	0	0
3.1. From subsidiaries and affiliates	0	0	0
3.2. From other entities	0	0	0
4. Long-term investments	85 410	-84 887	523
4.1. Real estate	0	0	0
4.2. Intangible assets	0	0	0
4.3. Long-term financial assets	85 410	-84 887	523
a) in subsidiaries and affiliates	84 887	-84 887	0
- shares	79 184	-79 184	0
- granted loans	5 703	-5 703	0
b) in other entities	523	0	523
- shares	12	0	12
- granted loans	511	0	511
4.4. Other long-term investments	0	0	0
5. Long-term deferred charges and accruals	20 493	0	20 493
5.1. Assets from deferred taxes	15 561	0	15 561

5.2. Other deferred charges and accruals	4 932	0	4 932
<b>II. Current assets</b>	<b>378 427</b>	<b>24 446</b>	<b>402 873</b>
1. Inventories	171 867	18 702	190 569
2. Short-term receivables	154 925	5 965	160 890
2.1. From subsidiaries and affiliates	0	0	0
2.2. From other entities	154 925	5 965	160 890
3. Short-term investments	30 843	-5 268	25 575
3.1. Short-term financial assets	30 843	-5 268	25 575
a) in subsidiaries and affiliates	6 245	-6 245	0
b) in other entities	628	0	628
c) cash and other cash assets	23 970	977	24 947
3.2. Other short-term investments	0	0	0
4. Short-term deferred charges and accruals	20 792	5 047	25 839
<b>Total assets</b>	<b>1 046 527</b>	<b>81 072</b>	<b>1 127 599</b>
<b>LIABILITIES</b>			
<b>I. Equity</b>	<b>391 396</b>	<b>14 719</b>	<b>406 115</b>
1. Share capital	96 780	0	96 780
2. Own shares for sale (negative value)	0	0	0
3. Reserve capital	250 517	-10	250 507
4. Revaluation reserve capital	0	0	0
5. Other reserve capital	0	0	0
6. Exchange gain (loss) on consolidation	-23 625	-2 967	-26 862
a) currency translation gains	0	0	0
b) currency translation losses	23 625	2 967	26 592
7. Undistributed earnings or uncovered loss of previous periods	56 461	-648	55 813
8. Net profit (loss)	11 263	18 344	29 607
<b>II. Minority shareholders capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>III. Reserve capital from consolidation</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IV. Liabilities and reserves for liabilities</b>	<b>655 131</b>	<b>66 353</b>	<b>721 484</b>
1. Reserves for liabilities	9 047	55 589	64 636
1.1. Reserves for income tax	3 465	0	3 465
1.2. Social security reserves	286	0	286
a) long term	226	0	226
b) short term	60	0	60
1.3. Other securities	5 296	55 589	60 885
a) long term	0	42 333	42 333

b) short term	5 296	13 256	18 552
2. Long term liabilities	402 730	0	402 730
2.1. To subsidiaries and affiliates	0	0	0
2.2. To other entities	402 730	0	402 730
3. Short term liabilities	243 354	10 764	254 118
3.1. To subsidiaries and affiliates	0	0	0
3.2. To other entities	243 354	10 764	254 118
3.3. Special funds	0	0	0
4. Accruals and deferred income	0	0	0
4.1. Negative goodwill	0	0	0
4.2. Other deferred charges and accruals	0	0	0
a) long term	0	0	0
b) short term	0	0	0
<b>Total liabilities</b>	<b>1 046 527</b>	<b>81 072</b>	<b>1 127 599</b>

<b>PROFIT AND LOSS ACCOUNT</b>	<b>I quarter 2008 31.01. - 31.03.</b>	<b>adjustments due to initial settlement of acquisition of the company</b>	<b>data for the I quarter 2008 31.01. - 31.03. after adjustments</b>
<b>I. Net revenues from sales of products, goods and materials, including:</b>	<b>124 602</b>	<b>37</b>	<b>124 639</b>
- from subsidiaries and affiliates	0	0	0
1. Net revenues from sale of products	118 291	33	118 324
2. Net revenues from sales of products, goods and materials	6 311	4	6 315
<b>II. Cost of products, goods and materials sold, including:</b>	<b>81 463</b>	<b>-25</b>	<b>81 438</b>
- from subsidiaries and affiliates	0	0	0
1. Cost of production	76 465	-29	76 436
2. Cost of goods and materials sold	4 998	4	5 002
<b>III. Gross profit (loss) on sales</b>	<b>43 139</b>	<b>62</b>	<b>43 201</b>
<b>IV. Cost of sales</b>	<b>14 391</b>	<b>0</b>	<b>14 391</b>
<b>V. General administrative expenses</b>	<b>16 071</b>	<b>202</b>	<b>16 273</b>
<b>VI. Profit (loss) on sales</b>	<b>12 677</b>	<b>-140</b>	<b>12 537</b>
<b>VII. Other operating income</b>	<b>2 553</b>	<b>0</b>	<b>2 553</b>
<b>VIII. Other operating costs</b>	<b>1 233</b>	<b>0</b>	<b>1 233</b>
<b>IX. Profit (loss) on operating activities</b>	<b>13 997</b>	<b>-140</b>	<b>13 857</b>
<b>X. Financial revenue</b>	<b>18 779</b>	<b>1 215</b>	<b>19 994</b>

<b>XI. Financial costs</b>	<b>21 022</b>	<b>-689</b>	<b>20 333</b>
<b>XIII. Profit (loss) on commercial activities</b>	<b>11 754</b>	<b>1 764</b>	<b>13 518</b>
XIV. Write off of goodwill on consolidation	0	0	0
XV. Write off of reserve capital on consolidation	0	0	0
<b>XVI. Gross profit (loss)</b>	<b>11 754</b>	<b>1 764</b>	<b>13 518</b>
<b>XVII. Profit on acquisition of a subsidiary</b>	<b>0</b>	<b>16 580</b>	<b>16 580</b>
<b>XVIII. Income tax</b>	<b>491</b>	<b>0</b>	<b>491</b>
<b>XIX. Other obligatory decrease of gross profit (increased loss)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>XX. Net profit (loss) share of subsidiaries and affiliates consolidated by property law method</b>	<b>0</b>	<b>0</b>	<b>0</b>
XXI. Profit (loss) of minority shareholders	0	0	0
<b>XXII. Net profit (loss)</b>	<b>11 263</b>	<b>18 344</b>	<b>29 607</b>

### 3.4. Securities

As of 30.06.2008, Barlinek S.A. holding Company is in possession of currency agreements, which secure future payables based on products and good transaction/sales. Currency agreements are used for the purpose of limiting currency risk. As of the 30.06.2008, the fair market value of current contracts equals to 11,196 thousands PLN.

### 3.5. A concise description of the issuer's achievements or setbacks during the period, to which the statement refers to, with a list of the most significant events associated with them.

Ordinary General Shareholders' Meeting of Barlinek SA on the 27th June, 2008 passed a resolution to increase the company's share capital by issuance L series shares with right of purchase by the exiting shareholders.

Increase of the company's share capital shall be effected by initial public offering and issuance of no less than 32,910,000 and no more than 48,390,000 series L ordinary bearer shares with nominal value of 1.00 (say: one) PLN each. Series L shares are ordinary bearer shares and no special rights or obligations resulting from Commercial Companies Code are associated with them. Issuance of shares will be covered by cash paid in prior to registering of increase of share capital by issuance of series L shares.

### 3.6. A description of factors and events, particularly of untypical nature, which affect the financial result significantly .

The factor which strongly affected Barlinek Group's result was appreciation of Polish currency. Falling currency rates in all countries where Barlinek Groups exports its products brought about a loss of more than 18 million PLN in sales revenue when compared to analogous period of previous year. Due to this, the Group lost 4.7 million PLN in the second quarter of 2008, when compared with the first quarter. These differences relate to operating activities only.

Another negative factor affecting the company is increase of interest rates. Purchase of shares of SC Diana Forest financed by a long-term bank loan caused increase of debt and financial cost, and consequently decrease in gross result.

A one-off event was settlement of the transaction of acquisition of SC Diana Forest SA, Romania which resulted in increase of the Group's net result by 16.6 million PLN.

**3.7. Clarifications referring to seasons or cycles in the issuer's business during the presented period.**

There are no seasons or cycles, which affect the Issuer's business.

**3.8. Information concerning the issue, purchase and payment for debt and equity securities.**

There were no issues of debt and equity securities in the Issuer's business during the presented period.

**3.9. Information concerning executed (or announced) dividend payout, jointly and calculated per share, divided into ordinary and preference shares.**

There was no dividend payout nor was there any announcements as such.

**3.10. A list of events, which took place following the date, on which the summarised quarterly financial statement was prepared and not included in that report, which could significantly affect Issuer's future financial results.**

In the Issuer's opinion, there were no other events, following the date on which the II quarter 2008 financial statement was prepared, which could significantly affect Barlinek S.A. Group's future financial results.

**3.11. Information concerning changes to contingent obligations or contingent assets, which may have taken place since the end of last financial year.**

The company has no contingent obligations or contingent assets.

**3.12. List the effects of changes to the structure of the business entity, including business entities consolidation, take over or sale of the capital group's entities, long-term investments, division, restructure and ceasing business operations.**

There was no significant changes in the capital group's or business entity's structure for the three months period ending 30 June 2008.

**3.13. The position of the Board concerning the possibility of meeting the previously released, current year's profit forecasts early, in the light of results presented in the quarterly statement in relation to forecasted profits.**

The Board has not released a 2008 profit forecast.

**3.14. List the shareholders, which either directly or indirectly own in excess of 5% of the overall number of votes through subsidiary companies at the issuer's general meeting as of the date of passing the quarterly report together with the number of shares owned by those entities, their percentage share in the capital, number of votes at the annual general meeting as well as a list of the changes to the ownership structure of significant issuer's share packages during the period since the last quarterly report was passed.**

Detail	As of 15.05.2008 (The date of passing the periodical report for I quarter 2008)		As of 14.08.2008 (The date of passing the periodical report for II quarter 2008)	
	Number of shares and votes at the AGM	% share in the share capital and % share in the overall number of votes at the AGM	Number of shares and votes at the AGM	% share in the share capital and % share in the overall number of votes at the AGM
Michał Sołowow – directly	49.820.000	51.48 %	49.820.000	51.48 %
Michał Sołowow – directly through Barco capital Investment Limited	16.000.000	16.53 %	16.000.000	16.53 %
<b>Michał Sołowow – directly or indirectly through Barcocapital Investment Limited</b>	<b>65.820.000</b>	<b>68.01 %</b>	<b>65.820.000</b>	<b>68.01 %</b>
<b>ING Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna *</b>	<b>4.846.329</b>	<b>5.01 %</b>	<b>4.846.329</b>	<b>5.01 %</b>

\* As per report received by the Company on 17 January 2008. (RB nr 2/2008)

**3.15. A statement of changes in the ownership of issuer's shares or right to them (options) by issuer's management and persons in supervisory positions as per issuer's information up to the time of passing the previous quarterly report.**

As per Issuer's knowledge, the status of shares ownership or the right to them (options) by persons in supervisory or management positions in the Issuer's business up until when the previous quarterly report was passed is as follows:

item	Name	Number of owned share (as of 14.08.2008)	Change in personal assets in the period 15.05.2008r. – 14.08.2008r.
1.	Paweł Wrona – President of the Management Board	911	0
2.	Ryszard Pyrek – Member of the Management Board	9.000	0
3.	Wioleta Bartosz – Member of the Management Board	0	0
4.	Marek Janke – Member of the Management Board	11.937	0

Issuer's supervisory personnel does own any Issuer's shares and do not have the right to own them (options).

**3.16. List any legal proceedings before a court, authority respective for arbitration proceedings or a public administration authority.**

There are no proceedings before a court of law, authority respective for arbitration proceedings or a public administration authority, the value of which exceeds 10% of the Issuer's own capital equity, neither in the case of the Issuer nor the Issuer's subsidiary companies.

**3.17. Information concerning the Issuer or its subsidiary companies entering a single or several transactions with affiliated entities, if the value of those transactions (total value of all transactions entered into since the beginning of the financial year) exceeds a PLN equivalent to Euro 500,000 – if these are no ordinary or routine transactions, entered into on market terms between affiliated entities and their nature and terms are a result of an ongoing business operated by the issuer or the issuer's subsidiary company.**

There were no such transactions during the II quarter of this year.

All transactions made between the Issuer and affiliated entities are transacted on market terms.

**3.18. Information concerning a loan warranty or guarantee issued by the Issuer or the Issuer's subsidiary company – overall to a single entity or their subsidiary company, if the total value of the existing warranties or guaranty constitutes in excess of 10% of the Issuer's own capital equity.**

On the 29th April, 2008, Barlinek Inwestycje Spółka z o.o. with registered office in Barlinek at 1 Przemysłowa street (a subsidiary of Barlinek S.A.) granted a guarantee pursuant of Civil Law to Bank Zachodni WBK SA with registered office in Warsaw for liabilities of Barlinek SA resulting from a loan agreement (current report No 11/2008).

During the II quarter of 2008, Barlinek S.A. or its subsidiary entities have not acted as guarantors on a loan or borrowings and have not issued a guarantee, which would constitute in excess of 10% of the Company's own capital equity.

**3.19. Other information, which in the Issuer's opinion is important to assess its human resources, property, financial, financial result and their changes as well as information, which is crucial in the assessment of the Issuer's ability to fulfil their obligations.**

Barlinek S.A. Capital Group's financial resources put them in a position to fulfil their financial obligations in entirety.

**3.20. List the factors, which in the Issuer's opinion will affect the results achieved by them in view of the next quarter or longer.**

In analysing the factors, which will affect the Issuer's financial results in the view of not less than the next quarter, the following should be considered:

**- external influences:**

1. a slow-down in the national economy growth,
2. world markets economic situation,
3. the apartment construction sector situation,
4. the situation on financial world markets,
5. the variance of currency exchange rates for both Poland and Ukraine,
6. possible interest rate rises,
7. timber (raw material) price changes for both Poland and Ukraine,
8. the employment market situation in Poland,
9. the rise of inflation in Poland, which is associated with the rise of manufacturing costs,
10. high inflation rate rise in Ukraine

**- internal influences:**

1. the expansion of the Barlinek Group product range,
2. expansion of the product sales network,
3. current investments (an increase of manufacturing capacity, better utilisation of materials and raw materials, new goods and products),
4. geographical manufacturing diversification.

### 3.21. Information regarding revenue and financial results in reference to particular industry or geographical sectors:

Barlinek S.A. Group is a leading producer of wooden floors. Products offered by the Business are aimed the same type of recipients and are subject to the same risk. Barlinek Group products characterise themselves with a similar level of R.O.I. on executed investments.

As a result of the above, the Company does not prepare the report based on industry sectors.

#### Geographical sectors

Operational activity of the Group was divided into five main geographical segments: North America, Western Europe, Eastern Europe, Scandinavia and Poland. Sales to the remaining countries is not substantial and was included in a sector named Other. The basic financial information concerning sectors was represented below.

#### II quarter of 2008

	North America	Central and Eastern Europe	Western Europe	Other	Poland	Scandinavia	Total
Revenue from sales	4 518	51 317	40 431	3 830	95 403	55 666	251 165
Sector result	<b>725</b>	<b>7 698</b>	<b>5 692</b>	<b>672</b>	<b>16 417</b>	<b>13 350</b>	<b>44 554</b>
Unaccounted costs of the whole group							19 854
Group sales result							<b>24 700</b>
Other operating income							1 788
Other operating costs							1 819
Result on operating activities							<b>24 669</b>
Financial revenue							42 035
Financial costs							42 770
Gross profit							<b>23 934</b>
Profit on a transaction of acquisition of a subsidiary							16 580
Income tax							1 067
Net profit							<b>39 447</b>

	North America	Central and Eastern Europe	Western Europe	Other	Poland	Scandinavia	Total
Sector's assets	769	25 850	16 687	437	48 131	13 900	105 774
Unaccounted assets of the whole group							1 060 797
Total assets							1 166 571

#### II quarter of 2007

	North America	Central and Eastern Europe	Western Europe	Other	Poland	Scandinavia	Total
Revenue from sales	11 132	29 039	51 498	2 428	82 614	52 472	229 183
Sector result	<b>1 955</b>	<b>4 423</b>	<b>8 624</b>	<b>456</b>	<b>15 973</b>	<b>14 065</b>	<b>45 496</b>
Unaccounted costs of the whole group							14 936
Group sales result							<b>30 560</b>
Other operating income							743
Other operating costs							1 780

<b>Result on operating activities</b>		<b>29 523</b>
<b>Financial revenue</b>		10 921
<b>Financial costs</b>		13 055
<b>Gross profit</b>		<b>27 389</b>
<b>Income tax</b>		966
<b>Net profit</b>		<b>26 423</b>

	North America	Central and Eastern Europe	Western Europe	Other	Poland	Scandinavia	Total
<b>Sector's assets</b>	1 359	11 515	19 513	159	40 396	12 717	85 659
<b>Unaccounted assets of the whole group</b>							739 571
<b>Total assets</b>							825 230

**Signatures:****The Board:**

Paweł Wrona                      President of the Management Board

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Wioleta Bartosz                Member of the Management Board

.....

Ryszard Pyrek                   Member of the Management Board

.....

Marek Janke                     Member of the Management Board

.....

**Person responsible for maintaining company ledger:**

Anna Kozłowska                Chief Accountant

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**Kielce, 14th August, 2008**