



**SUPERVISORY BOARD
BARLINEK S.A.**

REPORT FOR FINANCIAL YEAR 2009



REPORT OF THE SUPERVISORY BOARD OF BARLINEK S.A. FOR 2009 INCLUDES:

- I. Supervisory Board's report on its activities in 2009 including an assessment of the Supervisory Board's work and a brief assessment of the Company's financial standing, internal inspection system and the management system for managing the risks which are substantial to the Company,
- II. Report on assessment of financial statements of Barlinek S.A. and Barlinek Capital Group for financial year ended on the 31st December 2009,
- III. Report on assessment of the Management Board's report on operations of Barlinek S.A. and Barlinek Capital Group in 2009,
- IV. Assessment of the Management Board's request concerning coverage of loss for 2009,
- V. Supervisory Board's requests to General Shareholders Meeting of Barlinek S.A.

I. SUPERVISORY BOARD'S REPORT ON ITS ACTIVITIES IN 2009 INCLUDING AN ASSESSMENT OF THE SUPERVISORY BOARD'S WORK AND A BRIEF ASSESSMENT OF THE COMPANY'S FINANCIAL STANDING, INTERNAL INSPECTION SYSTEM AND THE MANAGEMENT SYSTEM FOR MANAGING THE RISKS WHICH ARE SUBSTANTIAL TO THE COMPANY

1. Composition of the Supervisory Board and the Management Board of Barlinek S.A. in 2009

a) During the period from 1st January 2009 to 24th June 2009 the Supervisory Board of Barlinek SA had the following composition:

- Mariusz Gromek – Chairman of the Supervisory Board,
- Mariusz Waniółka – Vice-Chairman of the Supervisory Board,
- Grzegorz Miroński - Member of the Supervisory Board,
- Kamil Latos – Member of the Supervisory Board,
- Rafał Kwiatkowski – Secretary of the Supervisory Board.

In connection with Mr Kamil Latos and Mr Rafał Kwiatkowski submitting their resignations from the Supervisory Board of Barlinek S.A., the General Meeting of Shareholders of Barlinek SA of 24 June 2009 appointed Mr Robert Oskard and Mr Krzysztof Kwapisz as members of the Supervisory Board.

During the period from 24th June 2009 to 31st December 2009 the Supervisory Board of Barlinek SA had the following composition:

- Mariusz Gromek – Chairman of the Supervisory Board,
- Mariusz Waniółka – Vice-Chairman of the Supervisory Board,
- Grzegorz Miroński - Member of the Supervisory Board,
- Krzysztof Kwapisz - Member of the Supervisory Board,
- Robert Oskard – Secretary of the Supervisory Board

b) In 2009 the Management Board of Barlinek SA had the following composition:

- Paweł Wrona – President of the Management Board,
- Wioleta Bartosz – Member of the Management Board,
- Ryszard Pyrek – Member of the Management Board,
- Marek Janke – Member of the Management Board



2. Activities of the Supervisory Board of Barlinek SA in 2009

in 2009 the Supervisory Board of Barlinek S.A. held 11 minuted sessions. The Supervisory Board, performing its obligations resulting from Commercial Companies Code and the Statute of Barlinek S.A., passed a total of 20 resolutions concerning the Company's operations.

The most important obligations fulfilled by the Supervisory Board of Barlinek S.A. in 2009 were:

- continuous supervision over all aspects of Company's operations ,
- Analysis of financial results, assessment of the Company's prospects and macroeconomic situation in the context of the Company's strategic goals,
- Submission to General Shareholders' Meeting of the annual written report of the Supervisory Board for 2008 covering the following: Supervisory Board's report on its activities in 2008 including an assessment of the Supervisory Board's work and a brief assessment of the Company's financial standing, internal inspection system and the management system for managing the risks which are substantial to the Company, Report on assessment of financial statements of Barlinek S.A. and Barlinek Capital Group for financial year ended on the 31st December 2008, Report on assessment of the Management Board's report on operations of Barlinek SA and Barlinek Capital Group in 2008, Assessment of the Management Board's request concerning covering losses for 2008, Supervisory Board's requests to General Shareholders Meeting of Barlinek S.A.,
- choice of statutory auditor in accordance with § 20 par. 2 pt. 5 of the Company Statute,
- establishing the uniform text of the Company Statute pursuant to art. 430 §5 of the Commercial Companies Code, §20 item 2 point 9 of the Company Statute and on the basis of the authorisations included in the Resolutions of the General Meeting of Shareholders of Barlinek S.A. on 27th of June 2008 and 24th of June 2009,
- approving the regulations issued by the Management Board defining the internal organisation of the Company's business pursuant to article 382 § 3 of the Commercial Companies Code and § 20 par. 2 item 4 of the Company's Statute,
- election of Board Secretary pursuant to § 19 par. 2 of the Company Statute,
- approval to take on obligations and disposition of the rights in matters beyond the Company's normal operations whose value exceeds 10% of the Company's equity capital pursuant to § 20 par. 2 pt. 7 of the Company Statute.

3. Assessment of the Supervisory Board's activities in 2009 , brief assessment of the Company's financial standing, internal inspection system and the management system for managing the risks which are substantial to the Company,

The Supervisory Board of Barlinek S.A. does not believe that the crisis year of 2009 weakened the market position of the Barlinek Capital Group, but actually allowed the firm's competitiveness to be strengthened among other businesses in the industry. The Company is one of the leaders among the largest manufacturers of layered floorboards. The austerity programmes and cost rationalisation measures introduced in 2008 were of key significance for the condition of the Barlinek Group during the economic slowdown. In spite of the losses generated in 2009, the Group achieved a stable position which will allow it to return to realising the planned business and investment challenges along with the expected economic recovery.

The Barlinek Group's involvement in pro-ecology actions and its social responsibility were rewarded by Barlinek S.A. receiving the highest rating in the Respect Index classification of Stock Exchange listed companies. Barlinek's factories are equipped with the most modern production lines and dust removal systems. The company organises numerous ecological



campaigns, such as planting 1 tree per 1 pack of Barlinek floorboards sold, taking care of Bartek the ancient Oak, reintroducing the peregrine falcon, etc. The Barlinek Group has a prestigious FSC certificate, evidence that the products produced by Barlinek SA is produced exclusively from raw material obtained from the rational use of forest resources. The company uses up 100% of the raw materials obtained for manufacturing. Biomass from post-production wood waste is used to make pellet, an ecological fuel granulate. Diversification of revenue by increasing the proportion of pellet sales in total sales is above all a factor compensating for any negative trends which may occur in sales of Barlinek's basic product, namely layered floorboards.

In matters belonging to the competences of the Auditing and Remuneration Committees, the Supervisory Board conducts the work and takes the decisions collectively. On 9 December 2009, acting pursuant to art. 86 par. 3 of the Act of 7 May 2009 regarding independent auditors, entities authorised to audit financial reports and public supervision, on the basis of §20 par.1 of the Statute and §16 par.1 of the Regulations of the Supervisory Board, the Supervisory Board formally accepted the Audit Committee to carry out its duties.

The Supervisory Board of Barlinek S.A. states that in 2009 the Company consistently expanded the internal control system for the assurance of those responsible for individual processes within the control tools, supervision and decision taking in accordance with the company's strategic goals, keeping in mind the minimising of risks connected with achieving these.

Barlinek S.A. maintains internal inspection procedures developed in a written form. In 2009, in connection with the introduction of an integrated IT system in the Barlinek Group's Polish companies, the current procedures are being updated and verified. This process will continue in 2010. With regard to inventorising individual elements of the company's assets, an inventorising model was prepared and implemented to ensure the reliability of results, and also a quality analysis of stocks, to achieve better customer service. With regard to incurring liabilities on behalf of the Company, accepting cost and capital expenditure as well as payments, there are procedures in operation specifying responsibilities and fields of authorisation. With regard to selecting offers presented to the Company by potential clients, the bidding procedure is applied. With regard to the purchase of materials, raw materials, goods, services and fixed assets, there are appropriate purchasing procedures in operation. Implementation of the internal control procedure was completed for Barlinek Invest, subsidiary of Barlinek Group, reflecting the policy of the Barlinek Group. This process will continue in 2010 for the other foreign subsidiaries.

The internal audit plan for 2009 was prepared based on a risk analysis. Subjects of internal audits included: commercial processes, purchase processes, warehousing and logistical processes, and selected aspects of the financial and accounting system. Certain inspections were simultaneously repeated to verify the effectiveness of the implementation of corrective actions in areas which required implementation of such actions. The Company's statutory bodies were kept informed of the level of implementation of remedial actions and the results of checks.

It is the Supervisory Board's opinion that significant risks having potential impact on Company's and the capital group's financial results are associated with Poland's and the global economic situation and possible sudden and unpredictable changes of currency exchange rates.



II. REPORT OF THE SUPERVISORY BOARD OF BARLINEK S.A. ON THE ASSESSMENT OF UNCONSOLIDATED FINANCIAL STATEMENT OF BARLINEK S.A. AND CONSOLIDATED FINANCIAL STATEMENTS OF BARLINEK CAPITAL GROUP FOR FINANCIAL YEAR ENDED ON 31 OF DECEMBER 2009

1. Pursuant to article 382 § 3 of the Commercial Companies Code and § 20 section 2 item 1 and 2 of the Company's Statute the Supervisory Board assessed the following:

- a) unconsolidated financial report for 2009 including:
 - consolidated profit and loss account for the turnover year from 1st January to 31st December 2009, showing a net loss to the sum of 55,413,000 zlotys,
 - the statement of total revenue for the turnover year from 1st January 2009 to 31st December 2009 indicating a total negative revenue of 20,214,000 zł,
 - statement of the financial standing drawn up as of 31st December 2009, which on the assets and liabilities side shows an amount of 655,021,000 PLN,
 - presentation of changes in equity capital for financial year from 1st January 2009 to 31st December 2009, indicating decrease of equity capital by 22,978,000 PLN,
 - cash flow account for the financial year from 1st January 2009 to 31st December 2009, indicating the reduction of the level of financial resources by the sum of 794,000 PLN,
 - additional information and clarifications,
- b) The report of the Management Board on activities of Barlinek S.A. in 2009.

2. Pursuant to article 382 § 3 of the Commercial Companies Code and § 20 section 2 item 1 and 2 of the Company's Statute the Supervisory Board assessed the following:

- a) consolidated financial report for 2009 including:
 - consolidated profit and loss account for the period from 1st January to 31st December 2009, showing a net loss to the sum 19,819,000 PLN,
 - the consolidated statement of total revenue for the turnover year from 1st January 2009 to 31st December 2009 indicating a total negative revenue of 20,987,000 zł,
 - consolidated statement of the financial standing drawn up as of 31st December 2009, which on the assets and liabilities side shows an amount of 1,072,542,000 PLN,
 - presentation of changes in consolidated equity capital for financial year from 1st January to 31st December 2009, indicating decrease of equity capital by the amount of 22,296,000 PLN,
 - consolidated cash flow account for the financial year from 1st January to 31st December 2009, indicating the reduction of the level of financial resources by the sum of 911,000 PLN,
 - additional information concerning the adopted accounting policy and other clarifications,
- b) The report of the Management Board on activities of Barlinek Capital Group in 2009.

3. The Supervisory Board of Barlinek S.A. adopted a resolution regarding the choice of DORADCA Zespół Doradców Finansowo-Księgowych (Financial and Accountancy Consultants) Sp. z o.o., based in 20-011 Lublin at Al. J. Piłsudskiego 1a, as the expert auditor authorised to examine the unconsolidated financial reports of Barlinek SA, the consolidated financial report of the Barlinek Capital Group SA and the Management Board reports on the Company and Capital Group's activities. DORADCA Zespół Doradców Finansowo – Księgowych Sp. z o.o. was selected for the next two years.

Acting pursuant to resolution of the Supervisory Board, the Management Board of Barlinek S.A. commissioned examination of the unconsolidated and consolidated financial report and the Management Board reports on the Company and Capital Group's activities with the auditing Company „DORADCA Zespół Doradców Finansowo-Księgowych Sp. z o.o.” in Lublin, on behalf of which acted:

Unconsolidated report of Barlinek S.A.:



Maciej Miotła – Statutory auditor no. 10152

Stefan Czerwiński – Chairman of the Board of Management, Statutory auditor no. 9449

Consolidated report of Barlinek S.A. Capital Group:

Anna Źurek, Statutory auditor no. 9954

Stefan Czerwiński – Chairman of the Board of Management, Statutory auditor no. 9449

Supervisory board familiarised itself with the opinions and reports of statutory auditors concerning the unconsolidated and consolidated financial reports. In accordance with the contents of the opinion of the auditing entity „DORADCA Zespół Doradców Finansowo-Księgowych Sp. z o.o.” (registration no. 232), examination provided sufficient basis to express a reliable opinion. The Opinion and the Report of the Independent Statutory Auditor confirms that both unconsolidated and consolidated financial report for 2009, covering numerical information and written clarifications, present reliably and clearly all information relevant to the evaluation of the assets and financial standing of Barlinek S.A. and Barlinek Capital Group for the day of 31st December 2009 and also its financial results for the financial year from 1st January to the 31st December 2009. The financial statements were prepared in accordance with the accountancy principles (policy) resulting from: International Accounting Standards, International Financial Reporting Standards, and the related interpretations published as European Commission Ordinances. In the extent not regulated by these Standards, the reports conform to the requirements of the Accounting Act and the executive regulations issued on its basis and on the basis of properly kept account books.

III. REPORT BY THE SUPERVISORY BOARD OF BARLINEK SA ON THE MANAGEMENT BOARD'S REPORT ON OPERATIONS OF BARLINEK SA AND BARLINEK CAPITAL GROUP IN 2009

1. Pursuant to article 382 §3 of the Commercial Companies Code, § 20 section 2 item 3 the Company's Statute, having familiarise itself with the unconsolidated and consolidated financial report and based on the opinion and reports of the Independent Statutory Auditor, the Supervisory Board was in a position to assess the Company's and the Capital Group's financial standing. The Supervisory Board of Barlinek S.A. confirms that these documents reflect the true situation and are in accordance with the accounting ledgers which are maintained reliably and correctly. Information provided in the unconsolidated financial report of Barlinek S.A. and the consolidated financial report of the Barlinek Capital Group characterise fully and correctly the material and financial situation and reflect reliably and clearly all information which is significant for assessment of the results, profitability and cash flows in the examined period from 1st of January 2009 to 31st of December 2009.

2. Pursuant to § 20 section 2 item 2 of the Company's Statute the Supervisory Board confirms that financial information provided in the reports of the Management Board of Barlinek S.A. on the activities of the Parent Company and Barlinek Capital Group in 2009 are sourced directly from the examined financial reports and are in accordance with them. Analysis of values, indicators and ratios presented in the financial reports for 2009 justifies the following conclusions:

- the Company's balance on 31.12.2009 stood at 655,021,000 zł, which represents an increase over the previous year of 3.2% i.e. by 20,120,000 zł.
- after a significant increase within the Capital Group in the value of assets and its sources of financing in 2008, by 29.1%, the balance fell by 4.5% in 2009,
- the Capital Group's net profit on sales is 52,239,000 zł higher than that achieved in 2008 and stands at 64,629,000 zł,
- furthermore the reduction was observed in the value of the Group's receivables of 19% with the simultaneous increase in sales revenue of 14.8% in relation to the revenue of the previous year.



- Austerity programmes implemented as early as 2008 in conjunction with the new pricing policy helped improve the profit margin on sales from 21% in the IV quarter of 2008 up to 41% in the IV quarter of 2009. For all of 2009, the profit margin achieved on sales was 38% versus 29% in the previous year. Net profit in the IV quarter of 2009 was 2 m PLN, compared to 73 m PLN net loss in the IV quarter of 2008.

The Supervisory Board confirms that in 2009 the principles of Corporate Governance upheld by Barlinek S.A. were adhered to in accordance with the position of the Management Board of Barlinek S.A. concerning the observance of the principles of Corporate Governance and pursuant to its information obligations the Company publishes relevant information on its website www.barlinek.com.pl in the section entitled: Investor relations.

4. Having assessed the Management Board's report on the activities of Barlinek S.A. and Barlinek Capital Group and the financial results for the financial year 2009, the Supervisory Board recommends to grant Members of the Board of Barlinek S.A. a vote of confidence for performance of their duties in financial year 2009.

IV. POSITION OF THE SUPERVISORY BOARD OF BARLINEK SA ON COVERAGE OF LOSS FOR THE FINANCIAL YEAR 2009

Pursuant to article 382 § 3 of the Commercial Companies Code and § 20 section 2 item 2 of the Company's Statute, the Supervisory Board familiarised itself with the proposal of the Management Board of Barlinek S.A. concerning coverage of loss for financial year 2009. The Supervisory Board of Barlinek SA accepts and expresses positive opinion of the Management Board's position to cover loss from the Company's reserve capital and from capital arising from the surplus from the sale of Company shares above their nominal value and this information will be presented to the General Meeting of Shareholders.

V. MOTIONS OF THE SUPERVISORY BOARD SUBMITTED TO GENERAL SHAREHOLDERS' MEETING

The Supervisory Board puts forward a motion for the General Shareholders' Meeting to:

- a. approve the unconsolidated financial report of Barlinek S.A. for the financial year ended on 31st December 2009,
- b. approve the consolidated financial report of Barlinek Capital Group for the financial year ended on 31st December 2009,
- c. approve the report of the Management Board on activities of Barlinek S.A. in 2009.
- d. approve the report of the Management Board on activities of Barlinek Capital Group in 2009.
- e. approved the Management Board's request to cover Barlinek SA's losses for turnover year 2009 from the Company's reserve capital and from capital arising from the surplus from the sale of Company shares above their nominal value,
- f. granted Barlinek S.A. Management Board Members a vote of approval for their performance in financial year 2009,
- g. granted Barlinek S.A. Supervisory Board Members a vote of approval for their performance in financial year 2009,
- h. The Supervisory Board issues a positive opinion and requests that the General Meeting of Shareholders adopt the changes to the Company Statute in accordance with the proposal included in the announcement of its calling for 29th June 2010. Ordinary General Meeting of Shareholders of Barlinek S.A.



Mariusz Gromek – Chairman of the Supervisory Board -

Mariusz Waniółka – Vice-Chairman of the Supervisory Board -

Krzysztof Kwapisz – Member of the Supervisory Board -

Grzegorz Miroński – Member of the Supervisory Board -

Robert Oskard – Secretary of the Supervisory Board -

Kielce, 10 June 2010.