

**LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD BARLINEK S.A.**

Ladies and Gentlemen, Dear Shareholders,

Barlinek Group has finished a year full of events closely connected with the implementation of the strategy strengthening the position among the greatest producers of multi-layered wooden floors and winning new markets for its products. The company offers many types of floors with universal application: for sports objects, public utility buildings, offices, and private residences. Barlinek is also the leader in the Polish production of veneers from natural wood species, which are commonly used in the furniture industry. In relation to other wood industry enterprises we are differentiated by very deep processing of wood and its 100% use. Wood waste and sawdust arising from the production of planks are processed into ecological fuel so-called pellets, used for heating homes and large establishments. In the current year the product range of Barlinek was extended by the production of floor skirting boards. Shortly the product range of Barlinek Group will be enhanced by plywood, which shall be produced in Russia before the end of 2009. Barlinek disposes the most modern wood industry technologies available in the world, which beside the continual increase of production capacity - constitutes one of the key elements of the building of the competitive advantage of the Company.

In August 2007 took place the inauguration of production of triple layer floorboards from natural wood species in the factory belonging to Barlinek in Vinnycya in Ukraine. 2 mln m<sup>2</sup> of layered floor production annually causes the Polish company to be the biggest supplier in the Ukrainian market. The combined annual production capacity of Barlinek Group has increased together with the Ukrainian establishment to 8 mln m<sup>2</sup> of floorboards. The technical equipment and ancillary appliances operating in the line at Vinnycya in Ukraine enable the development and increase of production potential in the future. In Kosiv (Ukraine), where in 2007 Barlinek bought some land, the coniferous timber sawmill has been expanded with an additional saw line. The investment activity of Barlinek in Ukraine was also appreciated by the Ukrainian side, which was reflected by the honouring of Barlinek with the award 'Investor of the Year 2007'. Primary shareholder of Barlinek SA, Michał Sołowow, received 'Investor of 2007' award from Ukrainian ambassador in Poland, Olexander Motsyk.

At the end of November of last year Barlinek SA signed a letter of intent, expressing the will to purchase the Diana Forest Company with registered office in Bacau in Romania. In December 2008 a contract was signed referring to the purchase of over 99% of the shares of the company, Diana Forest, from the Spanish company EUROGALIA S.L. with registered office in La Coruna and TRIPLE GEST S.L. with registered office in Madrid. The contract was finally completed and concluded at the beginning of February this year and Barlinek became the owner of a large entity in the wood sector in Romania. Diana Forest has renovated the production of floorboards and is beginning investments intended to increase the production capacity of the establishment. The completion of additional investment is foreseen in spring 2009.

Barlinek, which is one of the greatest producers of natural wood floors in the world, is also

planning a successive investment beyond the eastern frontier of Poland. In the locality of Czerepowiec in the Russian Federation, on land purchased by Barlinek RUS in October last year, the building of a 40 thousand m<sup>3</sup> annual production plywood factory will begin shortly. The possible Stage II of implementation would increase the productivity of the factory to 80 thousand m<sup>3</sup> s of plywood annually. A significant part of the plywood produced shall be used within the Group, which will enable the reduction of the technical cost of producing multi-layered planks - the basic product of Barlinek. Completion of Stage I of the project is planned for the III quarter of 2009. Its value is estimated at approximately 300 mln PLN..

The investments of Barlinek Group are one of the key elements of the strategy and part of increasing the value of the Group and diversification of the range of products produced. According to announcements in the factory in Barlinek we are implementing new wooden granule production from wet wood waste, and in spring this year the Department of skirting board production was inaugurated.

Barlinek Group ended the year 2007 with net income from sales at a level of 488.4 mln PLN and net profit to the sum of 59.2 mln PLN. The increase of income in relation to the year 2006 thus amounted to as much as 41 %. Consequential implementation of the strategy of the Group, reflected in the expansion into new markets with the maintenance of the unchanging high quality of production and service, brings the intended results in the form of an increase in the level of sales and confidence in the brand. Barlinek obtained the high 5th place in the category: ' quality of offered products and services' in the assessment "Quoted Company of the Year 2007" prepared by Pentor. The company was also distinguished in this year's Building Brands Ranking ASM – Centre of Market Research and Analysis, the purpose of which is to reveal the most valuable building brands. The very good perception of the Barlinek brand confirms the highest quality and is evidence of the great confidence in the product of the Company. I hope that the development of the Company and the result is that it has achieved is satisfactory to you and reinforce the conviction of the correctness of the decision to invest in the shares of Barlinek S.A.

Paweł Wrona

Chairman of the Management Board of Barlinek SA

Kielce, 12th of June 2008