



**THE SUPERVISORY BOARD OF
BARLINEK S.A.
REPORT FOR FINANCIAL YEAR 2008**

REPORT OF THE SUPERVISORY BOARD OF BARLINEK SA FOR 2008 INCLUDES:

- I. 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,
- II. Report on assessment of financial statements of Barlinek SA and Barlinek Capital Group for financial year ended on the 31 December 2008,
- III. Report on assessment of the Management Board's report on operations of Barlinek SA and Barlinek Capital Group in 2008,
- IV. Assessment of the Management Board's request concerning coverage of loss for 2008,
- V. Supervisory Board's motions put forward to General Shareholders Meeting of Barlinek SA.

I. 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,

1. Composition of the Supervisory Board and the Management Board of Barlinek SA in 2008

- a) In 2008 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

On 4 July 2008 the Extraordinary Shareholders Meeting of Barlinek SA appointed existing members of the Supervisory Board, i.e.: Mariusz Gromek, Mariusz Waniółka, Grzegorz Miroński, Kamil Latos, Rafał Kwiatkowski for a new 3-year term of office. Pursuant to §19 section 2 of the Company's statute the Supervisory Board from elected from among its members a Chairman of the Supervisory Board, a Vice Chairman and a Board Secretary. Similarly as in the previous term of office: The Supervisory Board of Barlinek SA elected Mariusz Gromek as its Chairman, Mariusz Waniółka as is Vice-Chairman, and Rafał Kwiatkowski as the Board's Secretary.

- b) In 2008 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 2008

in 2008 the Supervisory Board of Barlinek SA held 8 minuted sessions. The Supervisory Board, performing its obligations resulting from Commercial Companies Code and the Statute of Barlinek SA, passed a total of 22 resolutions concerning the Company's operations.

The most important obligations fulfilled by the Supervisory Board of Barlinek SA in 2008 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 2007 covering the following: Supervisory Board's report on its activities in 2007 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 SA and Barlinek Capital Group for financial year ended on the 31 December 2007, Report on assessment of the Management Board's report on operations of Barlinek SA and Barlinek Capital Group in 2007, Assessment of the Management Board's request concerning profit distribution for 2007, Supervisory Board's requests to General Shareholders Meeting of Barlinek SA.
- election of a Chairman of the Supervisory Board, a Vice Chairman of the Supervisory Board and a Supervisory Board Secretary from among the Members of the Supervisory Board serving a new term of office, pursuant to § 19 section 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.

3. Assessment of the Supervisory Board's activities in 2008 , 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,

In 2008 at the Supervisory Board of Barlinek SA systematically verified the Company's documents, data and information necessary to reliably assess the Company's operations and prospects for the future. The Supervisory Board of Barlinek SA evaluates the Company's management board's activities aimed at sustaining market share and actions to minimise the results of the financial crisis as adequate and sufficient in the context of foreseeable negative effects of the recession. In particular, the Supervisory Board and positively evaluates the management board's decisions taken in the second half of 2008 concerning significant reduction of the Company's and the capital group's operating costs in all areas of business. Especially important in current situation is maintaining the leading position among the world's largest manufacturers of multilayered floorboards and in the production of ecological pellet biofuel made from wood waste, which is especially popular among the Company's clients.

Over the course of the last 10 years the Company has been equipped with the most advanced production lines, which gives Barlinek significant competitive advantage over other companies competing in the same business area. It is the opinion of the Supervisory Board that the decision to allocate the revenues from the issuance of L-series shares which took place in 2008, to further modernise the Company, increase its production capacity and implement an integrated enterprise resource planning system is fully justified.

The Supervisory Board of Barlinek SA performed annual assessment of The Company's internal inspection system and the management system for managing the risks which are substantial to the Company. The internal inspection system of Barlinek SA consists of two independent elements:

- Institutional inspection - performed in 2008 by the Financial Inspection Department, whose responsibilities include an independent and objective examination and assessment of adequacy and effectiveness of the internal inspection system and provision of opinions on appropriate corrective actions. The Department has a status which guarantees its autonomy, impartiality and ensures authority necessary to carry out its mission. This department reports directly to the Company's Management Board.
- Functional inspection -- systematic and continual inspection performed by the managers of all organisational units, associated with the decision-making process, operating activities pursuant to the Company's internal procedures and policies.

In 2008 ordered analysis covered majority of processes running in the Company in order to assess if the internal inspection mechanism is adequate and effective to ensure efficient functioning of the Company and protection of its interests. Certain inspections were also repeated to verify the effectiveness and propriety of implemented corrective actions in areas which required implementation of such actions. These inspections indicate improvement of these processes and confirm that corrective actions are being effectively implemented.

The Company maintains internal inspection procedures developed and a written form. In 2008 the process of verification and reversion of procedures currently in use was continued to strengthen the control mechanisms in the areas of: finance, commerce, purchasing and operations. Simultaneously developed and implemented were new procedures covering the areas of activities requiring an additional or other than previously in use, protection of the Company's interests. The Company has an internal inspection system adapted to its organisational structure and covering the Company's organisational units and subsidiaries. The Management Board of Barlinek SA undertakes actions aimed at ensuring continuity of monitoring the effectiveness of internal inspection mechanisms and identifies areas of activities and processes requiring continuous monitoring. Separate Auditing and Remuneration Committees are not distinguished in the Supervisory Board of Barlinek SA. In matters belonging to the competences of the committees, the Supervisory Board conducts the work and takes the decisions collectively.

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 SA ON THE ASSESSMENT OF UNCONSOLIDATED FINANCIAL STATEMENT OF BARLINEK SA AND CONSOLIDATED FINANCIAL STATEMENTS OF BARLINEK CAPITAL GROUP FOR FINANCIAL YEAR ENDED ON 31 OF DECEMBER 2008

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 2008 including:
 - balance drawn up on the 31.12.2008, which on the assets and liabilities side is closed at the sum 635,077,000 PLN
 - profit and loss account for the financial year from 01.01.2008 to 31.12.2008, showing a net loss to the sum 10,574,000 PLN
 - presentation of changes in equity capital for financial year from 01.01.2008 to 31.12.2008, indicating increase of equity by the sum 25,570,000 PLN
 - cash flow account for the financial year from 01.01.2008 to 31.12.2008, indicating the reduction of the level of financial resources by the sum 655,000 PLN
 - additional information and clarifications,
- b) The report of the Management Board on activities of Barlinek SA in 2008.

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 2008 including:
 - balance drawn up on the 31.12.2008, which on the assets and liabilities side is closed at the sum 1,123,480,000 PLN
 - profit and loss account for the period from 01.01.2008 to 31.12.2008, showing a net loss to the sum 34,619,000 PLN
 - presentation of changes in consolidated equity capital for the period year from 01.01.2008 to 31.12.2008, indicating increase of equity by the sum 949,000 PLN
 - consolidated cash flow account for the period from 01.01.2008 to 31.12.2008, indicating the reduction of the level of financial resources during the examined period by the sum 6,254,000 PLN
 - additional information and clarifications,
- b) The report of the Management Board on activities of Barlinek Capital Group in 2008.

Acting pursuant to resolution of the Supervisory Board number 8/06/2006 dated 30 June 2006, the management board of Barlinek S.A. commissioned examination of the unconsolidated and consolidated financial report with an auditing Company „DORADCA Zespół Doradców Finansowo-Księgowych Sp. z o.o.” in Lublin, Al. J. Piłsudskiego 1A, on behalf of which acted:

Unconsolidated financial report of Barlinek SA:

Halina Czapczyńska - Chartered Auditor, No 563/532

Stefan Czerwiński - Pres of the board, Chartered Auditor, No 9449/7400

Consolidated financial report of Barlinek SA Capital Group:

Anna Źurek, Chartered Auditor, No 9954/7395

Stefan Czerwiński - Pres of the board, Chartered Auditor, No 9449/7400

Supervisory board familiarised itself with the opinions and reports of chartered 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.”, examination provided sufficient basis to express a reliable opinion. The Opinion and the Report of the Independent Chartered Auditor confirms that both unconsolidated and consolidated financial report for 2008, covering numerical information and written clarifications, present reliably and clearly all information relevant to the evaluation of the assets and financial standing of Barlinek SA and Barlinek Capital Group for the day of 31 December 2008 and also its financial results for the financial year from 1 January 2008 to the 31 December 2008. The financial reports were drawn up in accordance with the ledgers and the relevant documents, International Accounting Standards, International Financial Reporting Standards and the associated interpretations announced in the form of Ordinances of the European Commission. 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. The reports are in accord with the legal regulations affecting their content.

III. REPORT OF THE SUPERVISORY BOARD OF BARLINEK SA ON THE MANAGEMENT BOARD'S REPORT ON OPERATIONS OF BARLINEK SA AND BARLINEK CAPITAL GROUP IN 2008

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 Chartered 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 SA 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 SA 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 1 of January 2008 to 31 of December 2008.

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 SA on the activities of the Holding Company and Barlinek Capital Group in 2008 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 2008 justifies the following conclusions:

- There was an increase of the Company's balance total by 37.7 %, i.e. by the sum of 174 million PLN and of the Capital Group by 29%, i.e. by the sum of 254 million PLN,
- Capital Group's operating profit is higher by 22.6% from that achieved in the previous year and stands at 68,230,000 PLN,
- furthermore the reduction was observed in the value of the Group's receivables of 22% with the simultaneous increase in sales revenue of 3% in relation to the revenue of the previous year.
- In accordance with adopted strategy, Barlinek S.A. further strengthened its position on the multilayered wooden floorboards market.

3. 3. The Supervisory Board confirms that in 2008 the principles of Corporate Governance upheld by Barlinek SA were adhered to in accordance with the position of the Management Board of Barlinek SA 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: Investors -- investor relations.

4. Having accessed the Management Board's report on the activities of Barlinek SA and Barlinek Capital Group and the financial results for the financial year 2008, the Supervisory Board recommends to grant Members of the Board of Barlinek SA a vote of confidence for performance of their duties in financial year 2008.

IV. POSITION OF THE SUPERVISORY BOARD OF BARLINEK SA ON COVERAGE OF LOSS FOR THE FINANCIAL YEAR 2008

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 SA concerning coverage of loss for financial year 2008. 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 this information will be presented to General Shareholders' Meeting.

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 SA for the financial year ended on 31 December 2008,
- b. approve the consolidated financial report of Barlinek Capital Group for the financial year ended on 31 December 2008,
- c. approve the report of the Management Board on activities of Barlinek SA in 2008.
- d. approve the report of the Management Board on activities of Barlinek Capital Group in 2008.
- e. approve motion of the Management Board concerning coverage of loss of Barlinek SA for financial year 2008 from the Company's reserve capital,

Report of the Supervisory Board of Barlinek SA for 2008

- f. granted Barlinek SA Management Board Members a vote of approval for their performance in financial year 2008,
- g. granted Barlinek SA Supervisory Board Members a vote of approval for their performance in financial year 2008,

Mariusz Gromek – Chairman of the Supervisory Board.....

Mariusz Waniółka - Vice Chairman of the Supervisory Board,.....

Kamil Latos – Member of the Supervisory Board,

Grzegorz Miroński - Member of the Supervisory Board,

Rafał Kwiatkowski – Secretary of the Supervisory Board

Kielce, June 8th 2009