



## **REPORT BY THE SUPERVISORY BOARD OF "BARLINEK" S.A. FOR 2010**

*including:*

- I. Supervisory Board's report on its activities in 2010 including an assessment of the Supervisory Board's work and a brief assessment of the Company's financial position, 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 S.A. Capital Group for financial year ended on the 31st December 2010,
- III. Report on assessment of the Management Board's report on operations of "Barlinek" S.A. and Barlinek S.A. Capital Group in 2010,
- IV. Assessment of the Management Board's request concerning coverage of loss,
- V. Supervisory Board's requests to General Shareholders Meeting of "Barlinek" S.A.

***Pursuant to Art. 382 § 3 of the Commercial Companies Code, the Supervisory Board of "Barlinek" S.A. in Kielce presents the Company's General Meeting of Shareholders with the annual written report:***

**I. SUPERVISORY BOARD'S REPORT ON ITS ACTIVITIES IN 2010 INCLUDING ASSESSMENT OF THE SUPERVISORY BOARD'S WORK AND A BRIEF ASSESSMENT OF THE COMPANY'S FINANCIAL POSITION, 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 2010**

a) During the period from 1 January 2010 to 23 September 2010 the Supervisory Board of Barlinek S.A. had the following composition:

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

Due to the resignation from the post of Vice-Chairman of the Supervisory Board of Barlinek S.A. submitted by Mr Mariusz Waniółka, by a Resolution of 23 September 2010 the Supervisory Board elected Mr Krzysztof Kwapisz Vice-Chairman of the Supervisory Board. During the period from 23 September 2010 to 31 December 2010 the Supervisory Board of "Barlinek" S.A. had the following composition:

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

b) In 2010 the Management Board of "Barlinek" S.A. had the following composition:

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

29 June 2010 the Supervisory Board appointed the Management Board with its previous membership for another 3 year term of office.

**2. Assessment of the Supervisory Board's activities in 2010 , brief assessment of the Company's financial position, internal inspection system and the management system for managing the risks which are substantial to the Company,**

The Supervisory Board of "Barlinek" S.A. based in Kielce operates in accordance with the provisions of the Commercial Companies Code, the Company Statute and the Regulations of the Supervisory Board of "Barlinek" S.A. adopted by a resolution of the Supervisory Board on 27 February 2008. The Supervisory Board of "Barlinek" S.A. had a constant composition in

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2010. The Management Board provided the Board with exhaustive information on all important matters concerning the Company's activity. In 2010 the Supervisory Board of "Barlinek" S.A. held 10 sessions and passed a total of 21 resolutions.

The most important obligations fulfilled by the Supervisory Board of "Barlinek" S.A. in 2010 were:

- improving continuous supervision over the Company's operations,
- analysis of the periodic financial statements and the ongoing situation in the Company against the background of the general state of the economy, and fulfilment of the Enterprise's goals.
- Submission to General Shareholders' Meeting of the annual written report of the Supervisory Board for 2009 covering the following: 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 position, 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 2009, Report on assessment of the Management Board's report on operations of "Barlinek" S.A. and Barlinek Capital Group in 2009, Assessment of the Management Board's request concerning covering losses for 2009, Supervisory Board's requests to General Shareholders Meeting of "Barlinek" S.A.,
- 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 Resolution 18 of the General Meeting of Shareholders of "Barlinek" S.A. on 29 June 2010,
- election of Board Vice-Chair pursuant to § 19 par. 2 of the Company Statute,
- appointing a Management Board for the next term of office, pursuant to art. 368 §4 of the Commercial Companies Code and §16 para. 2 and 3 of the Company's 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.

The Barlinek has an established position in the industry and great potential for further expansion. One of the strategic targets Barlinek has set itself is constant self-improvement, constructing an innovative and modern economic organisation and changing in the direction expected by the customers. As a modern business, Barlinek targets the latest technology, environmental protection, social responsibility, limitation of business risk factors while maximising effort towards achieving the best financial results and planning further sustainable development. The organisation's energy is focused on ensuring a long term stable rise in the Company's goodwill.

In 2010, in matters lying within the competence of the Audit Committee, the five-member Supervisory Board of "Barlinek" S.A. worked and took decisions collectively (in accordance with the Board's Resolution of 9 December 2009). In the field of tasks within the competence of the Committee, the Supervisory Board has mainly been involved in monitoring financial reporting, the internal control system and reports on the work of the internal audit department. The Supervisory Board declares that the procedures implemented in "Barlinek" S.A. and Polish companies of the Group are subject to constant updating and verification in line with the ongoing requirements of the organisation (e.g. introducing new integrated IT systems, organisational improvements) and changes in processes or legislation. The processes are being developed and introduced in "Barlinek" S.A.'s

subsidiaries which are based abroad. The internal audit plan completed in 2010 was based on an analysis of potential risks. Subjects of internal audits included: commercial processes, purchase processes, warehousing and logistical processes, and selected aspects of the financial and accounting system. In addition, re-checking is carried out to verify the effectiveness of implementation of remedial action. The Company's statutory bodies were kept informed of the level and quality of implementation of remedial actions and the results of checks.

The Supervisory Board considers that the group of risks which could affect the business, profitability and financial results of the Company and Group includes the general economic situation in Poland and worldwide, and sudden fluctuations in the supply or exchange rates of currencies in which transactions are conducted.

## **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" S.A. CAPITAL GROUP FOR FINANCIAL YEAR ENDED ON 31 OF DECEMBER 2010**

### **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 statement for turnover year 2010 including:
  - 1) Statement of the financial position,
  - 2) Unconsolidated profit and loss account,
  - 3) Statement of total revenue,
  - 4) Cash flow account,
  - 5) Statement of changes in equity capital,
  - 6) additional information and clarifications,

Indicating respectively:

- assets and liabilities of a total of 635,134,143.32 zł;
  - net revenue from sales of goods and services of 480,866,991.08 zł;
  - gross loss of 8,885,891.91 zł;
  - net loss of 10,366,193.71 zł;
  - increase in cash of 4,034,186.49 zł;
- b) report of the Management Board on activities of Barlinek S.A. in 2010.

### **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 statement for turnover year 2010 including:
  - 1) Consolidated statement of the financial position,
  - 2) Consolidated profit and loss account,
  - 3) Consolidated statement of total revenue,
  - 4) Consolidated cash flow statement,
  - 5) Consolidated statement of changes in equity capital,
  - 6) additional information and clarifications,

Indicating respectively:

- a balance of 1,001,266,873.50 zł;
- net revenue from sales of goods and products of 588,107,932.26 zł;

- gross profit of 8,162,653.53 zł;
  - net profit of 2,325,295.32 zł;
  - increase in cash of 6,324,721.08 zł;
- b) report of the Management Board on activities of Barlinek S.A. Capital Group in 2010.

3. Acting pursuant to resolution of the Supervisory Board of 29 June 2009, the Management Board of "Barlinek" S.A. commissioned examination of the unconsolidated and consolidated financial statement 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 (reg. no. 232), on behalf of which acted: Chief Statutory Auditor conducting the inspection: Anna Żurek – Statutory Auditor no. 9954 Statutory Auditor: Stefan Czerwiński – Statutory Auditor no. 9449

Supervisory board familiarised itself with the opinions and reports of statutory auditors concerning the unconsolidated and consolidated financial statements. 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 Statutory Auditor confirms that both unconsolidated and consolidated financial statement for 2010, covering numerical information and written clarifications, present reliably and clearly all information relevant to the evaluation of the assets and financial position of "Barlinek" S.A. and Barlinek S.A. Capital Group for the day of 31st December 2010 and also its financial results for the financial year from 1st January to the 31st December 2010. 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 statements 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. The financial statements are also in accordance with the legal regulations affecting their content.

### **III. REPORT BY THE SUPERVISORY BOARD OF "BARLINEK" S.A. ON THE MANAGEMENT BOARD'S REPORT ON OPERATIONS OF "BARLINEK" S.A. AND BARLINEK S.A. CAPITAL GROUP IN 2010**

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 statement 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 position. 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 statement of "Barlinek" S.A. and the consolidated financial statement of the Barlinek S.A. 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 2010 to 31st of December 2010.

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 S.A. Capital Group in 2010 are sourced directly from the examined financial statements and are in accordance with them. Analysis of values, indicators and ratios presented in the consolidated financial statements for 2010 justifies the following conclusions:
- there was a fall in the Capital Group's balance by 5.02%, i.e. by 52,875 thou. zł,
  - there was an increase in total revenue by 47,158 thou. zł i.e. by 8.3% against a total growth in costs of 12,889 thou. zł which equals 2.2%, causing an improvement in the net financial result which stood at 2,327 thou. zł compared to a loss incurred in 2009 of 33,263 thou. zł,
  - furthermore a reduction was observed in the value of short term receivables of 12.1% and inventory of 6.8% with the simultaneous increase in sales revenue of 29,092 thou., or 5.2% in relation to the revenue of the previous year,
  - a fall in long term liabilities was noted of 59,942 thou. zł i.e. 19.2% with insignificant 1.7% increase in short term liabilities. The total amount of bank credit decreased compared to the end of 2009 by 22,092 thou. zł,
  - the amount of cash at the end of the period had increased from 2,798 thou. zł to 8,994 thou. zł compared to the previous year.
3. Having assessed the Management Board's report on the activities of "Barlinek" S.A. and Barlinek S.A. Capital Group and the financial results for the financial year 2010, 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 2010.
4. The Supervisory Board confirms that in 2010 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 at: [www.barlinek.com](http://www.barlinek.com), tab: Investor relations.

#### **IV. POSITION OF THE SUPERVISORY BOARD OF "BARLINEK" S.A. ON COVERAGE OF LOSS**

Pursuant to art. 382 §3 of the Commercial Companies Code and § 20 para. 2 pt 2 of the Company Statute, the Supervisory Board has studied the proposal by the Management Board of "Barlinek" S.A., regarding coverage of losses in the turnover year 2010 totalling 10,366,193.71 zł and losses from previous years totalling 7,652,745.48 zł from the Company's supplementary capital and shall present that information to the General Meeting of Shareholders.

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

**Having assessed the Management Board's report on the activities of "Barlinek" S.A. and Barlinek S.A. Capital Group and the financial results for the financial year 2010, the Supervisory Board recommends that the General Meeting of Shareholders:**

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- a. approve the unconsolidated financial statement of "Barlinek" S.A. for turnover year ended 31 December 2010,
- b. approve the consolidated financial statement of Barlinek S.A. Capital Group for turnover year ended 31 December 2010,
- c. approve the report of the Management Board on activities of "Barlinek" S.A. in 2010.
- d. approve the report of the Management Board on activities of Barlinek S.A. Capital Group in 2010.
- e. approve the motion of the Management Board of "Barlinek" S.A. concerning coverage of loss for financial year 2010 from the Company's reserve capital,
- f. grant "Barlinek" S.A. Management Board Members a vote of approval for their performance in financial year 2010,
- g. grant "Barlinek" S.A. Supervisory Board Members a vote of approval for their performance in financial year 2010,

Mr Mariusz Gromek – Chairman of the Supervisory Board -  
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Mr Krzysztof Kwapisz – Vice Chairman of the Supervisory Board -  
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Mr Mariusz Waniółka - Member of the Supervisory Board -  
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Mr Grzegorz Miroński – Member of the Supervisory Board -  
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Mr Robert Oskard – Secretary of the Supervisory Board -  
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*Kielce, June 6th 2011*