



**Barlinek S.A. Capital Group
Condensed interim consolidated financial statement for the twelve
months ending on 31 December 2010.**



1. Condensed consolidated financial statement

1.1. Selected financial data (thousands)

SELECTED FINANCIAL DATA	thousands PLN		thousands EUR	
	4th quarter 2010	4th quarter 2009	4th quarter 2010	4th quarter 2009
	01.01. - 31.12.	01.01. - 31.12.	01.01. - 31.12.	01.01. - 31.12.
I. Net revenue from sales of products, goods and material	588 042	559 016	146 850	128 786
II. Profit (loss) on operating activities	31 197	66 970	7 791	15 429
III. Gross profit (loss)	8 201	-19 809	2 048	-4 564
IV. Net profit (loss) owed to the shareholders of the Parent Company	4 415	-20 008	1 103	-4 609
V. Total income owed to the shareholders of the Parent Company	-5 585	-20 039	-1 395	-4 617
VI. Net cash flows from operating activities	64 653	65 547	16 146	15 101
VII. Net cash flows from investment activities	-21 554	-27 334	-5 383	-6 297
VIII. Net cash flows from financial activities	-36 767	-39 124	-9 182	-9 013
IX. Total net cash flows	6 332	-911	1 581	-210
X. Number of shares	145 170 000	145 170 000	145 170 000	145 170 000
XI. Average-weighted number of shares	145 170 000	138 938 959	145 170 000	138 938 959
XII. Profit (loss) per ordinary share (PLN / EUR)	0,03	-0,14	0,01	-0,03
XIII. Diluted earnings (loss) per ordinary share (PLN / EUR)	0,03	-0,14	0,01	-0,03
XIV. Total income per ordinary share (PLN / EUR)	-0,04	-0,14	-0,01	-0,03
XV. Diluted total income per ordinary share (PLN / EUR)	-0,04	-0,14	-0,01	-0,03
	31.12.2010	31.12.2009	31.12.2009	31.12.2009
XVI. Total assets	1 013 078	1 063 959	255 808	258 984
XVII. Liabilities and reserves for liabilities	635 227	706 880	160 399	172 066
XVIII. Long term liabilities	252 414	311 681	63 736	75 868
XIX. Short-term liabilities	409 597	395 199	103 426	96 198
XX. Equity capital	351 067	357 079	88 647	86 919
XXI. Share capital	145 170	145 170	36 656	35 337
XXII. Number of shares	145 170 000	145 170 000	145 170 000	145 170 000
XXIII. Average-weighted number of shares	145 170 000	138 938 959	145 170 000	138 938 959
XXIV. Book value per share (PLN / EUR)	2,42	2,57	0,61	0,63
XXV. Diluted book value per share (PLN / EUR)	2,42	2,57	0,61	0,63
XXVI. Declared or paid dividend per share (PLN / EUR)				





1.2. The EURO exchange rates used to convert the "Selected financial data".

For converting balance sheet items in the tables of "Selected consolidated financial data" as of 31.12.2010, an average EURO exchange rate published by the National Bank of Poland effective on that day was used, i.e. – 1 EUR = 3.9603 PLN. Items of the profit and loss account and cash flow statement shown in tables of "Selected consolidated financial data" for the four quarters of 2010 were converted using the exchange rate of 1 EUR = 4.0044 PLN (it is the average of the average National Bank of Poland exchange rates from the last days of the last 12 months of 2010).

For converting balance sheet items in the tables of "Selected consolidated financial data" as of 31.12.2009, an average EURO exchange rate published by the National Bank of Poland effective on that day was used, i.e. – 1 EUR = 4,1082 PLN. Items of the profit and loss account and cash flow statement shown in tables of "Selected consolidated financial data" for the four quarters of 2009 were converted using the exchange rate of 1 EUR = 4.3406 PLN (it is the average of the average National Bank of Poland exchange rates from the last days of the last 12 months of 2009).

1.3. Consolidated statement of financial standing (thousands PLN)

STATEMENT OF THE FINANCIAL STANDING	31.12.2010	30.09.2010	31.12.2009
ASSETS			
A. FIXED ASSETS	627 216	632 705	651 818
Property, plant and equipment	584 101	593 883	609 562
Investment property	0	0	0
Intangible assets	9 324	9 284	10 623
Shares in subsidiaries and affiliates	0	0	0
Shares in other entities	12	12	12
Granted long-term loans	229	227	654
Long-term investments	0	0	0
Assets from deferred taxes	27 692	24 510	24 049
Other long-term receivables	5 858	4 789	6 918
B. CURRENT ASSETS	385 862	400 387	412 141
Inventory	191 036	185 351	209 018
Short-term receivables from supplies and services	62 435	81 077	56 856
Granted short-term loans	1 148	1 113	871
Receivables from income tax	219	2 427	3 772
Other regulatory receivables	46 004	43 407	51 982
Financial receivables	0	0	3 978
Other short-term receivables	24 123	33 010	36 953
Cash and equivalents	9 001	10 430	2 798
Short-term investments	0	0	0
Other short-term investments	0	0	0
Fixed assets intended for sale	51 896	43 572	45 913
Total assets	1 013 078	1 033 092	1 063 959



**LIABILITIES**

A. EQUITY CAPITAL	351 067	365 896	357 079
Stated capital (fund)	145 170	145 170	145 170
From disposal of shares above their nominal value	139 358	139 358	155 157
Revaluation reserve capital (fund)	-9 636	-9 499	-5 897
Other reserve capital (fund)	0	0	0
Exchange gain (loss) on consolidation	-31 617	-29 325	-38 650
Retained profit / uncovered loss	108 029	119 986	101 110
Minority shares	-237	206	189
B. LONG-TERM LIABILITIES	252 414	284 383	311 681
Interest bearing bank credits	249 600	282 539	309 320
Received long-term loans	0	0	0
Reserves for deferred income tax	112	15	8
Financial liabilities	1 480	1 515	2 061
Liabilities from employee benefits	1 222	314	292
Other long-term liabilities	0	0	0
C. SHORT-TERM LIABILITIES	409 597	382 813	395 199
Current portion of interest-bearing bank credits	305 822	292 988	268 033
Short-term liabilities from supplies and services	68 638	52 971	81 561
Received short-term loans	0	0	0
Liabilities from income tax	78	5	9
Other regulatory liabilities	8 943	9 316	6 913
Financial liabilities	2 071	1 820	1 655
Other liabilities	24 045	25 713	37 028
Accruals and deferred income	0	0	0
Liabilities directly associated with long-term assets classified as items for sale	0	0	0
Total liabilities	1 013 078	1 033 092	1 063 959
<i>Book value</i>	<i>351 067</i>	<i>365 896</i>	<i>357 079</i>
<i>Average-weighted number of shares</i>	<i>145 170 000</i>	<i>145 170 000</i>	<i>138 938 959</i>
<i>Book value per share (PLN)</i>	<i>2,42</i>	<i>2,52</i>	<i>2,57</i>





1.4. The consolidated profit and loss account (thousands PLN)

PROFIT AND LOSS ACCOUNT	4th quarter 2010	four quarters 2010	4th quarter 2009	four quarters 2009
	01.10. - 31.12.	01.01. - 31.12.	01.10. - 31.12.	01.01. - 31.12.
<i>Continued activities</i>				
Total revenue from sales	149 549	588 042	132 559	559 016
Net revenue from sale of products	147 317	577 325	129 717	544 441
Net revenue from sales of products, goods and materials	2 232	10 717	2 842	14 575
Cost of products, goods and materials sold	92 905	371 539	76 125	335 819
Cost of producing goods sold	91 301	363 529	74 584	324 416
Cost of goods and materials sold	1 604	8 010	1 541	11 403
Gross profit (loss) on sales	56 644	216 503	56 434	223 197
Other operating revenue	1 333	3 253	1 731	9 365
Cost of sales	42 834	134 038	29 128	114 387
General administrative expenses	13 817	50 374	13 327	43 647
Other operating costs	-154	4 147	3 271	7 558
Profit (loss) on operating activities	1 480	31 197	12 439	66 970
Financial revenue	1 041	23 894	43	509
Financial costs	9 262	46 890	12 716	87 288
Gross profit (loss)	-6 741	8 201	-234	-19 809
Profit on a transaction of acquisition of a subsidiary	0	0	0	0
Income tax	-14	1 075	-2 647	-162
Current portion	2 714	2 875	224	479
Deferred portion	-2 728	-1 800	-2 871	-641
Net profit (loss) on continued activities	-6 727	7 126	2 413	-19 647
<i>Discontinued activities</i>				
Loss for the financial year on discontinued activities	-2 363	-2 736	-356	-172
Net profit (loss) for the financial year	-9 090	4 390	2 057	-19 819
Profit (loss) owed to the shareholders of the Parent Company	-8 668	4 415	1 769	-20 008
Profit (loss) owed to the minority shareholders	-422	-25	288	189





1.5. Consolidated statement of total revenue (thousands PLN)

STATEMENT OF TOTAL REVENUE	4th quarter 2010	four quarters 2010	4th quarter 2009	four quarters 2009
	01.10. - 31.12.	01.01. - 31.12.	01.10. - 31.12.	01.01. - 31.12.
Net profit (loss) for the financial year	-9 090	4 390	2 057	-19 819
Total other income	-5 771	-11 280	9 121	8 226
Exchange gain (loss) on consolidation	-2 291	7 033	-12 258	-26 868
Revaluation of fixed assets	0	0	-9 499	-9 499
Effective part of profit and loss associated with hedging of cash flows	-169	-4 616	29 517	43 456
Profit (loss) from previous years	-3 311	-13 697	1 361	1 137
Income tax associated with other components of total revenue	-32	-877	11 612	8 257
Total income	-14 829	-6 013	-434	-19 850
Total income owed to the shareholders of the Parent Company	-14 407	-5 585	-722	-20 039
Total income owed to the minority shareholders	-422	-428	288	189
<i>Average-weighted number of shares</i>	<i>145 170 000</i>	<i>145 170 000</i>	<i>138 938 959</i>	<i>138 938 959</i>
<i>profit (loss) per ordinary share (PLN)</i>	<i>-0,10</i>	<i>-0,04</i>	<i>-0,00</i>	<i>-0,14</i>





1.6. Consolidated cash flow statement (thousands PLN)

CASH FLOW ACCOUNT (INDIRECT METHOD)	4th quarter 2010	four quarters 2010	4th quarter 2009	four quarters 2009
	01.10. - 31.12.	01.01. - 31.12.	01.10. - 31.12.	01.01. - 31.12.
Cash flows from operating activities				
Gross profit (loss)	-9 104	5 465	-590	-19 981
Adjustments by items:	39 382	59 188	42 009	85 528
Depreciation	12 773	52 196	12 051	49 815
Currency translation gains (losses)	-3 886	-16 989	-1 324	12 156
Interest and profit sharing (dividend)	8 180	29 355	6 623	28 322
Profit (loss) on investment activities	-163	-253	-64	-2 408
Change in inventory	-5 685	17 981	-22 845	3 018
Change in receivables	24 823	16 524	21 400	1 053
Change in short-term liabilities excluding credits and loans	9 516	-40 320	37 893	3 693
Change in liabilities due to employee benefits	908	929	-18	-18
Change in long-term liabilities	0	0	0	-839
Change in other long-term receivables	-1 069	1 060	-350	499
Income tax paid	-758	-116	-8 329	-910
Other adjustments	-5 257	-1 179	-3 028	-8 853
I. Net cash flows from operating activities	30 278	64 653	41 419	65 547
Cash flows from investment activities				
Disposal of fixed and intangible assets	154	1 586	968	6 593
Acquisition of fixed and intangible assets	-6 740	-23 132	-3 659	-33 950
Disposal of investment real estate	0	0	0	0
Acquisition of investment in real estate	0	0	0	0
Disposal of financial assets	0	0	0	0
Acquisition of financial assets	0	0	0	0
Acquisition of a subsidiary after deduction of acquired fixed assets	0	0	0	0
Dividends and interest received	0	1	0	1
Repayment of loans granted	5	21	5	22
Loans granted	-30	-30	0	0
Other cash flows from investment activities	0	0	0	0
II. Net cash flows from investment activities	-6 611	-21 554	-2 686	-27 334





CASH FLOW ACCOUNT (INDIRECT METHOD)	4th quarter 2010	four quarters 2010	4th quarter 2009	four quarters 2009
	01.10. - 31.12.	01.01. - 31.12.	01.10. - 31.12.	01.01. - 31.12.
Cash flows from financial activities				
Inflows from issuance of shares	0	0	0	-2 446
Payment of liabilities arising from financial leases	-683	-2 548	-634	-2 704
Inflows from credits/loan taken	24 426	154 225	-278	121 232
Repayment of credits and loans	-40 514	-159 037	-43 092	-126 820
Dividends paid to shareholders of the Parent Company	0	0	0	0
Dividends paid to minority shareholders	0	0	0	0
Interest paid	-7 590	-27 941	-8 749	-27 899
Bank's commission	-604	-1 466	-135	-487
Other cash flows from financial activities	0	0	6 512	0
III. Net cash flows from financial activities	-24 965	-36 767	-46 376	-39 124
Change in net cash and its equivalents (I+II+III)	-1 298	6 332	-7 643	-911
Net currency translation differences	-131	-129	-72	-20
Cash opening balance	10 430	2 798	10 513	3 729
Closing balance of cash, including:	9 001	9 001	2 798	2 798
of limited disposability	0	0	0	0





1.7. Consolidated statement of changes in equity (thousands PLN)

STATEMENT OF CHANGES IN EQUITY CAPITAL	Stated capital	From disposal of shares above their nominal value	Other reserve capital (fund)	Revaluation reserve capital (fund)	Exchange gain (loss) on consolidation	Retained profit / uncovered loss	Minority shares	Total equity capital
Situation as of 01.01.2010	145 170	155 157	0	-5 897	-38 650	101 110	189	357 079
Issuance of shares	0	0	0	0	0	0	0	0
Distribution of previous years' profit	0	-15 799	0	0	0	15 799	0	0
Others	0	0	0	0	0	0	1	1
Total income	0	0	0	-3 739	7 033	-8 880	-427	-6 013
Dividends paid	0	0	0	0	0	0	0	0
Situation as of 31.12.2010	145 170	139 358	0	-9 636	-31 617	108 029	-237	351 067
Situation as of 01.01.2009	96 780	138 247	67 746	-36 606	-11 782	124 990	0	379 375
Issuance of shares	48 390	19 356	-67 746	0	0	0	0	0
Cost of issuance of shares	0	-2 446	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0
Total income	0	0	0	30 709	-26 868	-23 880	189	-19 850
Dividends paid	0	0	0	0	0	0	0	0
Situation as of 31.12.2009	145 170	155 157	0	-5 897	-38 650	101 110	189	357 079



2. Short form of financial statement of Barlinek S.A. (...)

3. Supplementary information to short form of interim consolidated financial statement for the 4th quarter of 2010.

3.1. General information

The parent company of Barlinek Capital Group S.A. („Capital Group”, „Group”) is Barlinek S.A. („Company”, „Parent Company”) with registered office in Kielce at Al. Solidarności 36. The company is registered in the National Court Register under the number KRS 0000018891. The Company was assigned the business statistical number (REGON) 290725379

Barlinek S.A., as a joint stock company was established on 30 May 1996 by the company Echo Press S.A. with registered offices in Kielce (currently Echo Investment S.A.) and by Mr Michał Sołowow and Adam Kubicki. On 1 June 1999, the Governor of Western Pomerania decided to carry out direct privatisation of the state-owned enterprise Barlineckie Przedsiębiorstwo Przemysłu Drzewnego by contribution in kind to raise the company's share capital. As a result of this decision, the company adopted a resolution to raise the company's share capital and issue 1,200,000 shares intended for acquisition by the state treasury in exchange for a contribution in kind of the subject company. On 24 September 1999, the Governor of Western Pomerania established a company composed of tangible and intangible assets constituting the state armed enterprise „Barlineckie Przedsiębiorstwo Przemysłu Drzewnego imienia Prof. Fr. Krzysika” in Barlinek. On 22 September 2005, shares of Barlinek S.A. were introduced for trading on Warsaw Stock Exchange.

Core business is production and distribution of triple layered wooden floorboards, skirting and pellets. The Group's offer is complemented by the complete range of accessories for installation and care of the offered floorboards, which are purchased from external companies and resold under the brand name of Barkiet System.

The duration of the operation of the Parent Company and companies within the Group is undefined.

Condensed consolidated financial statement of the Group includes data for the quarter ending on 31st December 2010 and contains comparable data for the same period of previous year.

The group does not include organisational unit drawing up financial reports independently.





3.2. Composition of the Capital Group

As of 31 December 2010 Barlinek SA Capital Group is composed of the following subsidiaries:

Entity's name	Headquarters	Share in group's capital	
		31 December 2010	31 December 2009
Barlinek Inwestycje Sp. z o.o.	Barlinek	100%	100%
Barlinek Innowacje Sp. z o.o.	Barlinek	100%	100%
Barlinek Ukraina Sp. z o.o.	Vinnycya, Ukraine	99,99%	99,99%
Barlinek Invest Sp. z o.o.	Vinnycya, Ukraine	98,56%	97,32%
Barlinek Luxemburg S.A.R.L.	Luxembourg	100%	100%
Barlinek Cyprus Limited	Nicosia, Cyprus	100%	100%
Barlinek Norge A.S.	Kongsberg, Norway	100%	100%
Barlinek Deutschland GmbH	Daun, Germany	100%	100%
Barlinek RUS Sp. z o.o.	Shulma, Russian Federation	100%	100%
Barlinek Rus Trade Sp. z o.o.	Moscow, Russian Federation	100%	100%
BCDF Limited	Nicosia, Cyprus	100%	100%
S.C. Barlinek Romania S.A.	Bacau, Romania	99,90%	99,90%
BCDF I Limited	Nicosia, Cyprus	100%	100%

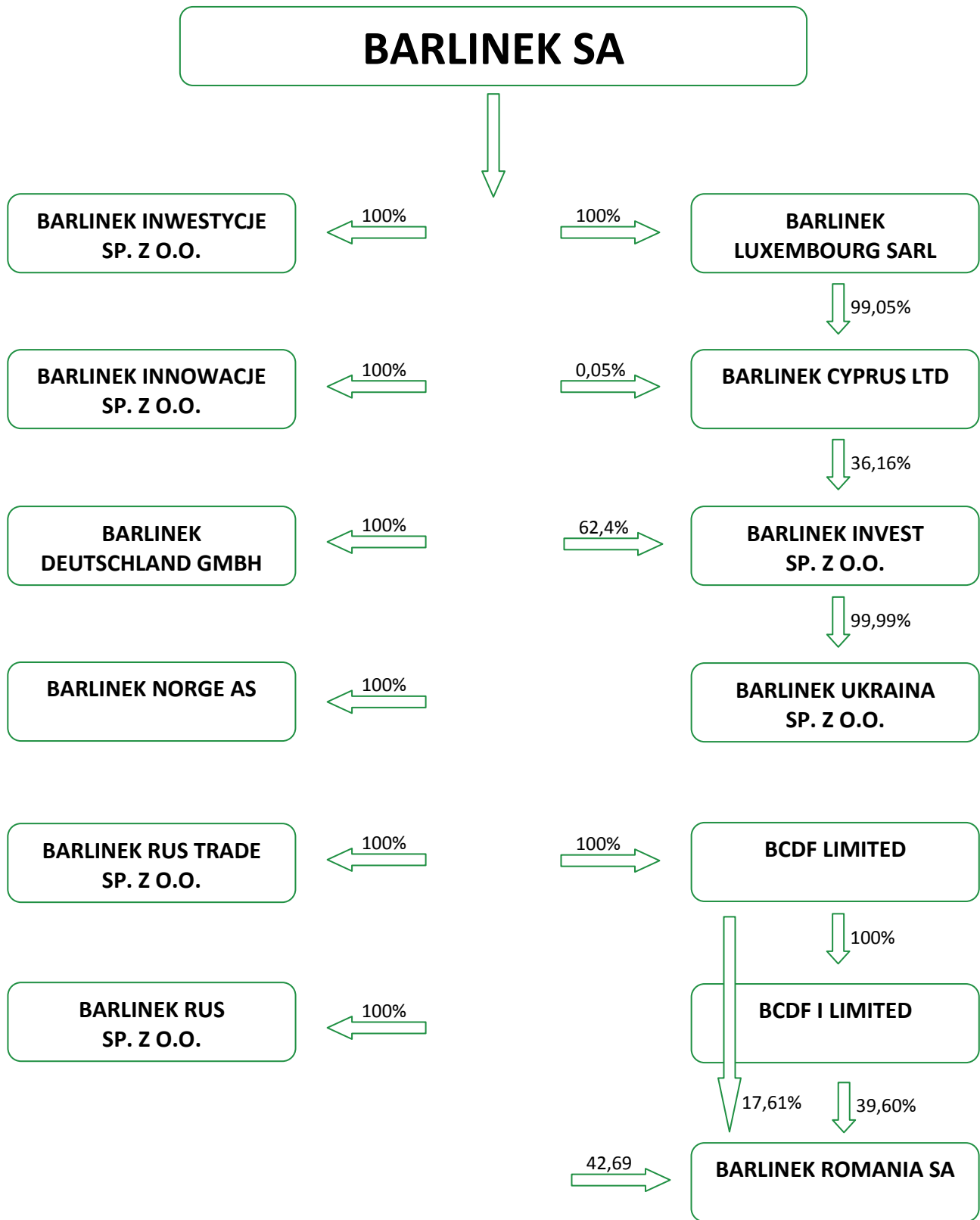
All subsidiaries are consolidated as of 31st December 2010.

On the day 31st December 2010 the share of general number of voting rights held by the Group in subsidiaries was equal to the Group's share in the capital of these subsidiaries.

On the day 31st December 2009 the share of general number of voting rights held by the Group in subsidiaries was equal to the Group's share in the capital of these subsidiaries.

The structure of Barlinek SA Capital Group







3.3. Major accounting principles

3.3.1. The basis for drawing up of the financial report

The Condensed consolidated financial report was drawn up according to historical cost principle modified for financial instruments.

The Condensed consolidated financial report is presented in Polish currency („PLN”) and all figures, unless indicated otherwise, are given in thousands of PLN.

This Condensed consolidated financial statement was prepared at the assumption that the business all the companies within the group is to continue operating in the foreseeable future. On the date this consolidated financial statement is drawn up there are no circumstances that could be regarded as a threat to continued business operations of the Group.

3.3.2. Compliance statement

Pursuant to an amended Accounting Act which came into force on the 1 January 2005, the Group draws up its financial reports according to International Accounting Standards, International Financial Reporting Standards and associated interpretations published in the form of European Commission Ordinances („IFRS for application within the EU”). Within the scope of accounting principles applied by the Group on the day this financial statement has been drawn up, taking into account the implementation process of International Financial Reporting Standards taking place within the European Union and the business activities conducted by the Company, there is no difference between the International Financial Reporting Standards that took effect and the IFRS approved by the European Union.

This Condensed 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 Group applies International Financial Reporting Standards in force on the day of 31st December 2010.

3.3.3. Clarifications regarding the seasonality of business activity in the interim period

The Group's business activities are not of seasonal or a cyclical nature and timing has no effect on the financial results achieved in the interim period.

3.3.4. Measurement and presentation currency.

Both management and presentation currency applied by the Group to present this summarised consolidated financial report is Polish currency.

3.3.5. Changes in adopted accounting principles.

This condensed consolidated financial report for the fourth quarter of 2010 and comparable financial data for the fourth quarter of 2009 are drawn up according to International Financial Reporting Standards. In the reporting period ending 31.12.2010 the Group did not change adopted accounting policy and complied with the same accounting policy and calculation methods as in the last annual consolidated financial statements.





3.3.6. Changes in the presentation.

The following changes in the presentation of the summarised consolidated financial statements and the summarised consolidated financial statements for the fourth quarter of 2010:

- within each unconsolidated financial statement of companies of the Capital Group, deferred income tax reserve and assets were compensated due to the fact that they concern income tax imposed by the same tax authorities on the same taxpayer.
- The Group presented the costs of the discount granted to customers for early payment as financial costs because, due to the nature of these expenses and the reason for which they are incurred, they are equivalent to costs of acquiring or using turnover capital presented as financial costs.
- In the current period the Group has decided to distinguish the costs connected with the process of packing its own products, which allows them to be monitored and optimised. Packing costs are connected with the process of servicing sales for a specific market, distribution channel or customer. For this reason these costs will be presented in sales costs along with packing costs, instead of in own sales costs as hitherto.

The appropriate presentational changes were made to the comparative data for the year ending 31st December 2009 and for the quarter ending 31st December 2009. These changes in the presentation do not affect the financial results of the company's equity capital.

Presentational changes in Barlinek SA's condensed financial statement:

STATEMENT OF THE FINANCIAL STANDING	31.12.2009	31.12.2009
ASSETS	<i>after the change</i>	<i>before the change</i>
Assets from deferred taxes	373	8 933
Total assets	646 461	655 021
LIABILITIES		
Reserves for deferred income tax	0	8 560
Total liabilities	646 461	655 021

PROFIT AND LOSS ACCOUNT	4th quarter 2009	four quarters 2009	4th quarter 2009	four quarters 2009
	01.10. - 31.12.	01.01. - 31.12.	01.10. - 31.12.	01.01. - 31.12.
	<i>after the change</i>		<i>before the change</i>	
Cost of sales	16 066	59 622	16 426	59 982
Financial costs	17 875	65 103	17 515	64 743
Net profit (loss) for the financial year	-16 176	-55 413	-16 176	-55 413





Presentational changes in Barlinek SA Capital Group's condensed consolidated financial statement:

STATEMENT OF THE FINANCIAL STANDING	31.12.2009	31.12.2009
ASSETS	<i>after the change</i>	<i>before the change</i>
Assets from deferred taxes	24 049	32 632
Total assets	1 063 959	1 072 542
LIABILITIES		
Reserves for deferred income tax	8	8 591
Total liabilities	1 063 959	1 072 542

PROFIT AND LOSS ACCOUNT	4th quarter 2009	four quarters 2009	4th quarter 2009	four quarters 2009
	01.10. - 31.12.	01.01. - 31.12.	01.10. - 31.12.	01.01. - 31.12.
<i>Continued activities</i>	<i>after the change</i>		<i>before the change</i>	
Total revenue from sales	132 559	559 016	135 962	578 098
Revenue from sale of products	129 717	544 441	132 964	561 838
Revenue from sales of goods and materials	2 842	14 575	2 998	16 260
Costs of products, goods and materials sold	76 125	335 819	80 752	356 993
Cost of producing goods sold	74 584	324 416	79 098	344 277
Cost of goods and materials sold	1 541	11 403	1 654	12 716
Gross profit (loss) on sales	56 434	223 197	55 210	221 105
Other operating revenue	1 731	9 365	1 731	9 365
Cost of sales	29 128	114 387	28 621	112 828
General administrative expenses	13 327	43 647	13 327	43 647
Other operating costs	3 271	7 558	3 271	7 558
Profit (loss) on operating activities	12 439	66 970	11 722	66 437
Financial revenue	43	509	43	509
Financial costs	12 716	87 288	12 355	86 927
Gross profit (loss)	-234	-19 809	-590	-19 981
Profit from bargain acquisition	0	0	0	0
Income tax	-2 647	-162	-2 647	-162
Net profit (loss) on continued activities	2 413	-19 647	2 057	-19 819
<i>Discontinued activities</i>				0
Loss for the financial year on discontinued activities	-356	-172		0
Net profit (loss) for the financial year	2 057	-19 819	2 057	-19 819





3.3.7. Error adjustments.

No error adjustments were made in the consolidated report for the quarter ending 31st December 2010.

3.3.8. Rules of consolidation.

Barlinek S.A. is the Parent Company of Barlinek SA Capital Group and is responsible for drawing up of Condensed consolidated financial reports.

The Condensed consolidated financial report includes the financial report of Barlinek S.A. and the financial report of its subsidiaries drawn up for the quarter ending 31st December 2010. Financial report of subsidiaries are drawn up for the same reporting period as the financial report of the Parent Company, with the application of coherent accounting principles, based on uniform accounting principles for transactions and occurrences similar in nature. Adjustments are made in the event of any discrepancies in the adopted accounting principles.

All major balances and transactions between the Group companies, including unrealised profits resulting from transactions within the Group had been entirely eliminated. Unrealised losses are eliminated, unless they demonstrate an impairment loss.

Subsidiaries are subject to consolidation in the period from the day the Group assumes control and are excluded from consolidation on the day the Group releases control. A Parent Company assumes control over a subsidiary when it owes directly or indirectly, through its subsidiaries, more than half of voting rights in a company unless it can be demonstrated that this ownership does not allow control. A Parent Company is also said to control a subsidiary when it is able to control the subsidiary's financial and business policy.

Financial reports of Companies: Barlinek S.A., Barlinek Inwestycje 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, BCDF Limited, BCDF I Limited and Barlinek Romania S.A. have been drawn up according to International Financial Reporting Standards. However the financial reports of other companies including Barlinek Innowacje Sp. z o.o., Barlinek Norge A.S., Barlinek Deutschland GmbH, Barlinek RUS Sp. z o.o. and Barlinek Rus Trade Sp. z o.o. have been transformed for the purpose of drawing up this summarised consolidated financial report.

3.3.9. Conversion of financial statements of subsidiaries expressed in foreign currencies.

Functional currency of international subsidiaries: Barlinek Ukraina Sp. z o.o. and Barlinek Invest Sp. z o.o. use UAH (Ukrainian hryvnia), subsidiaries: Barlinek Cyprus Limited, Barlinek Luxemburg S.A.R.L., Barlinek Deutschland GmbH, BCDF Limited and BCDF I Limited use the euro, subsidiaries: Barlinek RUS Sp. z o.o. and Barlinek Rus Trade Sp. z o.o. use RUB (Russian rouble), subsidiary Barlinek Norge A.S. uses NOK (Norwegian krone), and the subsidiary Barlinek Romania S.A. uses RON (Romanian Leu).

On the balance date the assets and liabilities of these international subsidiaries are converted to the group's presentation currency at the exchange rates prevalent on the balance date and the profit and loss accounts are converted at the average currency exchange rates for each quarter of the reporting period. Currency translation differences resulting from such conversion are recognised directly in equity capital as a separate component. When an international subsidiary is sold off, accumulated deferred currency translation differences recognised in equity capital, relating to a specific foreign entity are recognised in profit and loss account.





The following currency exchange rates were adopted for the purpose of converting assets and liabilities of international subsidiaries:

Currency	31.12.2010	31.12.2009
EUR	3,9603	4,1082
UAH	0,3722	0,3558
NOK	0,5071	0,4946
RON	0,9238	0,9698
RUB	0,0970	0,0950

Weighted average currency translation rates for individual quarters of the reporting period adopted for the purpose of converting profit and loss accounts of international subsidiaries were as follows:

Currency	Year 2010				Year 2009			
	IV Q	III Q	II Q	I Q	IV Q	III Q	II Q	I Q
EUR	3,9685	4,0089	4,0088	3,9924	4,1779	4,2004	4,4456	4,4903
UAH	0,3666	0,3928	0,3979	0,3599	0,3488	0,3618	0,4161	0,4203
NOK	0,4927	0,5036	0,5060	0,4921	0,4975	0,4802	0,5024	0,5015
RON	0,9253	0,9421	0,9594	0,9695	0,9796	0,9939	1,0603	1,0542
RUB	0,0950	0,1015	0,1040	0,0966	0,0959	0,0939	0,1015	0,1014

3.3.10. Estimated value adjustment type and amount.

In the reporting period of the Group did not adjust any estimated values.

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

During the reporting period ending 31.12.2010 there were no issues, purchases or repayment of debt and equity securities.

3.3.12. Dividends paid.

During the reporting period ending 31.12.2010 the parent company did not pay nor plan any dividends.

3.3.13. Information concerning business segments.

For management purposes of the group distinguishes three business segments based on the products manufactured, sold and services provided. The following operating segments are distinguished:

- Floorboards and related flooring materials – this segment includes triple layer floorboards, skirting boards, installation accessories and floorboard care products (Barkiet System),
- Pellets – fuel granules produced from biomass waste,
- Others – this segment includes other non-core business activities.





The Management Board of Barlinek S.A. separately monitors business segment results in order to take decisions regarding allocation of resources, as well as to assess the effects of this allocation and the financial results. The basis for an assessment of financial result is gross profit or loss on sales taking into account cost of sales. General administrative expenses, group financing (including financial revenue and cost), other operating activities and income tax are monitored at the group level and allocation to segments does not occur.

Operating segments	Revenue		Segment profit	
	4th quarter of 2010	4th quarter of 2009	4th quarter of 2010	4th quarter of 2009
Floorboards and related flooring materials	497 413	477 042	64 590	81 762
Pellet	77 415	69 935	16 932	23 880
Other	13 214	12 039	944	2 807
Continued activities, total	588 042	559 016	82 466	108 449
Unaccounted costs of the whole group			50 374	43 647
Other operating revenue			3 506	9 365
Other operating costs			4 399	7 558
Result on operating activities			31 199	66 609
Financial revenue			23 894	509
Financial costs			46 890	86 927
Gross profit			8 203	-19 809
Income tax			1 075	-162
Net result on continued activities			7 128	-19 647
Loss for the financial year on discontinued activities			-2 736	-172
Net result for the financial year			4 392	-19 819
Sector's assets			62 436	80 931
Floorboards and related flooring materials			57 534	74 332
Pellet			3 791	4 269
Other			1 111	2 330
Unaccounted assets of the whole group			950 641	983 028
Total assets			1 013 077	1 063 959





3.3.14. Events after the balance date.

After the balance date no events took place which could affect the Group's financial standing.

3.3.15. Changes in the Group's structure.

In the reporting period ending 31.12.2010 Barlinek S.A. Capital Group has not disposed of any shares in any subsidiary and there has been no consolidation of business entities.

On 09.02.2010 an increase in Barlinek Invest Spółka z o.o.'s, with registered office in Vinnitsa, share capital was registered. The body responsible for the registration was the State Register of Vinnitsa (Ukraine). The share capital of Barlinek Invest Spółka z o.o. was increased from 79,333,391.52 UAH to 210,805,270.52 UAH, i.e. by a sum of 131,471,879 UAH. The share taken over is of a long-term investment nature, and has been covered by money from Barlinek S.A.'s own assets.

During the reporting period, the share capital of Barlinek Innowacje Sp. z o.o. was increased from 50 thousand złotych to 300 thousand złotych. All of the shares were taken over by one Partner - Barlinek SA. The share taken over is of a long-term investment nature, and has been covered by money from Barlinek S.A.'s own assets on 17.06.2010.

On 15.09.2010 an increase in the share capital of Barlinek Romania SA, based in Onesti, was registered. The body responsible for the registration was the Justice Ministry National Office of the Commercial Register, Commercial Register Branch for the Tribunal in Bacau (Romania). The share capital of Barlinek Romania was increased from 140,941,798.96 RON to 329,534,062.78 RON by an issue of 133,022,721 new shares, from a total of 99,254,788 shares to 232,277,509 shares with a nominal value of 1.42 RON per share. Acquired shares are a long-term investment and are covered by a contribution through setting off liabilities with shares and cash.

On 08.12.2010 an increase in the share capital of Barlinek Rus Trade, with registered office in Moscow, was registered. The registering body was the Inland Revenue. Barlinek Rus Trade's share capital was increased from a sum of 10,000 RUB to 78,840,015 RUB. The shares included are of a long-term investment nature and were covered by a contribution through converting liabilities from a loan granted.

3.3.16. Financial instruments.

On 31st December 2010 all of the Group's financial instruments were shown in the financial statement at fair market value.

On 31st December 2010, the parent company had unsettled forward currency transactions valued by their fair market price by capital. These are sale transactions in the following currencies: EUR, SEK, NOK.

item	Currency	Transaction nominal value	Value of transactions as of 31.12.2010 (PLN)
1.	EUR/PLN	-2 000 000	159 488,56
2.	NOK/PLN	-4 870 677	-8 522,12
3.	SEK/PLN	-42 125 435	-375 685,63
TOTAL			-224 719,19

In the total above the sum of (-) 169,015.99 was settled by the capital while the sum of (+) 55,703.20 was settled by financial result.





3.4 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.

It is the Management Board's opinion that there have been no major achievements or setbacks in the reporting period ending 31.12.2010.

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

During the 12 months of 2010 the Group completed sales at a level of 588m PLN which was 5 % higher than in the same period of the previous year. In the revenue structure, over 10% growth was noted in the ecological fuel segment (pellet) and 4% in the floorboard segment. A fall was noted in veneer sales, which was connected with the Company's intended strategy (discontinuing activity in the field of veneer production).

The increased value of sales in the floorboard and ecological fuel segments affects both the volume and price of sales. Average sales obtained in foreign currencies prices for floorboards in 2010 are more than 4% higher than in 2009, while the sales price converted to PLN only rose by 0.4%, which is due to the PLN strengthening against particular currencies.

In 2010 operational profitability was worse than in 2009. There were two main factors generally affecting this. The first was the limit in production in the first half of the year, which caused an increase in unitary production costs, and the second factor was the rise in the price of wood material. While the production volume is a transient factor which will have only a temporary effect on the next quarter's result due to the increased exploitation of production capacity, the price of wood will continue to be a factor influencing sales profitability. The solution to this problem will be an increase in sales prices both as a result of changes to the product range structure, i.e. limiting the sales volume of entry class floorboards to the benefit of more profitable products, and of changes to catalogue prices.

3.6. 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.

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

There were no issues, repurchases or repayment of debt and equity securities during the presented period.

3.8. 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.

3.9. A list of events, which took place following the date, on which the Condensed quarterly financial statement was drawn up 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 4th quarter 2010 financial statement was drawn up, which could significantly affect Barlinek S.A. Group's future financial results.





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

On 31st December 2010 the Group has the following contingent liabilities:

Type of contingent liability	Agreement number	Currency	Amount of contingent liability		Beneficiary	Subject of contingent liability
			in thousands/day			
			31.12.2010	31.12.2009		
Surety of bank credits granted to a subsidiary	13/CKK/2007	PLN	16 500	16 500	PEKAO SA	Current account overdraft
Surety of bank credits granted to a subsidiary	19/CKK/2007	PLN	38 500	38 500	PEKAO SA	investment credit
Guarantee of repayment by a subsidiary	agreement	EUR	0	38	Plyfa Plywood AB	purchase of goods
Guarantee of repayment by a subsidiary	agreement	PLN	0	160	Plyfa Plywood AB	purchase of goods
Guarantee on bank credits granted to a subsidiary	36929	EUR	58 425	48 425	EBOR	Investment and working capital credit
Guarantee on bank credits granted to a subsidiary	agreement	NOK	2 000	2 000	Nordea Bank AS	Current account overdraft
Surety of bank credits granted to a subsidiary	16/CKK/2004	PLN	28 600	28 600	PEKAO SA	Credit in credit account
Surety of bank credits granted to a subsidiary	K0005192/2008	PLN	100 000	102 000	BZ WBK	Current account overdraft
Surety of bank credits granted to a subsidiary	202-127/LW/I/26/2008	PLN	28 000	28 000	PKO BP SA	Current account overdraft
Bank guarantee of repayment by a subsidiary	DDF/2000/2009	PLN	10 000	8 000	State Forests	purchasing of raw materials
Bill of exchange surety on bank credits granted to a subsidiary	2308/02/2010/1085/K/OBR	PLN	45 000	0	BOŚ S.A	renewable working capital credit
Surety of investment contracts to a subsidiary	531/I/08	EUR	0	3 300	Gdańskie Zakłady Remontowo Montażowe	delivery and set up of wooden granule production system



3.10. Description of the Issuer's Capital Group and indication of entities subject to consolidation.

Barlinek Capital Group SA is the largest producer of triple layer laminated wooden floors in Poland and the leading producer ecological fuel, so-called pellets.

The most popular and a recognisable product of Barlinek Capital Group S.A. is triple layer floorboard from fine species of native and exotic woods, commonly known as Barlinek floorboards. Due to the application of technical solutions (in particular the glue free barclick connection), the Barlinek floorboard combines aesthetic and functional values of classic natural parquet floors, with the ease of laying of a panel floor. Currently the Group's offer comprises approximately 100 designs and types of floorboards, including certified floors for sports facilities sold under the brand of Barkiet Sport.

The production of triple layered floorboards as inextricably associated with the production of pellets. In the course of several years, Barlinek Capital Group developed production of this ecological fuel, which resulted in an increase in sales from 35,000 tonnes in 2005 to 136,000 tonnes in 2010.

The Group's offer is complemented by skirting boards, whose production began in April of 2008.

BARLINEK brand image has been built on this comprehensive offer of the Capital Group and as a synonym of "natural products" produced from wood of the highest quality.

On 31st December 2010, Barlinek Capital Group comprised:

Parent Company:

Barlinek S.A. with registered office in Kielce, conducting trading activities. The company undertakes the sale of Barlinek floorboards, skirting boards, pellets and accessories of the Barkiet System.

Production facilities

Barlinek Inwestycje Sp. z o.o. based in Barlinek, Western Pomerania Voivodeship. It is a production company operating in Kostrzyńsko-Słubicka special economic zone manufacturing boards, veneers, pellet and skirting boards. In 2010 the company was responsible for the sale of veneer within the Capital Group. Other products of Barlinek Inwestycje Sp. z o.o. were sold to Barlinek S.A.

Barlinek Invest Sp. z o.o. with registered office in Vinnyca (Ukraine). The company's core business is production of floorboard. Barlinek Invest Sp. z o.o. supplies its products to Barlinek Ukraina Sp. z o.o. and Barlinek S.A.

S.C. Barlinek Romania S.A. (formerly S.C. Diana Forest S.A.) with registered offices in Bacau (Romania). The company manufacturing floorboards sold to Barlinek S.A. and wood semi-product (planks and blocks) used in the production of floorboards and by Barlinek Inwestycje Sp. z o.o.

Distribution companies

Barlinek Ukraina Sp. z o.o. with registered office in Vinnyca (Ukraine) the company distributing floorboards produced by Barlinek Invest Sp. z o.o.

Barlinek Norge AS with registered offices in Kongsberg (Norway). The company established in 2007 undertaking the distribution of Barlinek floorboards in Norway.

Barlinek Deutschland GmbH with registered offices in Daun (Germany). The company established in 2007 within capital group undertakes the distribution of floorboards in Germany.

Barlinek Rus Trade sp. z o.o. with registered offices in Moscow (Russia). The company registered in April of 2008. Its task is to develop distribution network of products of the Barlinek Capital Group on the Russian market.





Companies that do not undertake any operating activities - investment vehicles

Barlinek Luxemburg S.A.R.L. with registered offices in Luxemburg,

Barlinek Cyprus Limited with registered office in Nicosia (Cyprus),

BCDF Limited with registered offices in Nicosia (Cyprus),

BCDF I Limited with registered offices in Nicosia (Cyprus).

Other entities

Barlinek RUS sp. z o.o. with registered offices in Shulma (Russia). The company established to build a facility in Russia.

Barlinek Innowacje Sp. z o.o. with registered offices and on the neck, which currently does not undertake any operating activities and its core business is intended to be license and patent management within Barlinek Capital Group.

All subsidiaries are consolidated as of 31st December 2010.

Barlinek S.A. does not possess branches (production facilities). Barlinek Invest Sp. z o.o. with registered offices in Vinnycya, Ukraine as a production facility in Kosiv, Ukraine, S.C. Barlinek Romania S.A. with registered offices in Bacau, Romania has production facilities in Onesti and Comanesti.

Other entities within Capital Group to not have any branches (production facilities).

The structure of Barlinek Capital Group S.A. is presented in point 3.2 of the financial statement.

3.11. List of 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.

In 2010 the Barlinek Group decided to discontinue production of veneer.

During its best period, Barlinek Group sold nearly 13m m2 of veneer worth over 36m PLN, placing it among the largest producers of veneer in Poland.

However the main product of the Barlinek Group has always been the Barlinek board, and the Group's development strategy was based on that product .

The decision to discontinue veneer production was undoubtedly influenced by the economic crisis which hit the veneer market especially badly.

Ever more difficult and expensive access to veneer material on the one hand, and a fall in the sale price of veneer and collapse of many furniture manufacturers on the other meant that continuing this activity would merely lead to ever greater costs being incurred with drastically falling profitability on sales of the product.

In 2010 the Group once again prepared a range of detailed analyses and possible scenarios for changing and modifying the very process of veneer production and distribution. As a result, Barlinek took the decision to discontinue this activity.

The liquidation process will involve selling and disposing of the remaining stocks of veneer (including skirting boards) and the sale of redundant machines and equipment previously used in the veneer production process. A large part of the warehouse area has already been given over to the requirements of floorboards, and the entire area is intended to be allocated as storage for boards, thus avoiding the need to use external warehouses.

Solid floorboard production will commence shortly in the hall where natural veneers were produced until recently. The new production line is already under construction.

Detailed financial data concerning the result on the discontinued activity:





PROFIT AND LOSS ACCOUNT	4th quarter 2010	four quarters 2010	4th quarter 2010	four quarters 2009
	01.10. - 31.12.	01.01. - 31.12.	01.10. - 31.12.	01.01. - 31.12.
<i>Discontinued activities</i>				
Total revenue from sales	225	9 714	3 403	19 083
Net revenue from sale of products	189	8 745	3 247	17 397
Net revenue from sales of products, goods and materials	36	969	156	1 686
Cost of products, goods and materials sold	265	8 299	3 405	17 442
Cost of producing goods sold	230	7 545	3 292	16 129
Cost of goods and materials sold	35	754	113	1 313
Gross profit (loss) on sales	-40	1 415	-2	1 641
Other operating revenue	0	0	0	0
Cost of sales	576	2 307	354	1 813
General administrative expenses	290	388	0	0
Other operating costs	1 457	1 456	0	0
Profit (loss) on operating activities	-2 363	-2 736	-356	-172
Gross profit (loss)	-2 363	-2 736	-356	-172
Income tax	0	0	0	0
Net profit (loss) on discontinued activities	-2 363	-2 736	-356	-172

3.12 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 forecast profits.

The Board has not released a 2010 profit forecast.

3.12. List of 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 Shareholders 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 Shareholders 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.





Details	Situation as of 01.03.2011 (the date of submitting the interim report for fourth quarter of 2010)		Situation as of 15.11.2010 (the date of submitting the interim report for three quarters of 2010)	
	Number of shares and votes at the General Shareholders' Meeting	% share in the share capital and % share in the overall number of votes at the General Shareholders' Meeting	Number of shares and votes at the General Shareholders' Meeting	% share in the share capital and % share in the overall number of votes at the General Shareholders' Meeting
Michał Sołowow – directly	0	0%	83.753.505	57,69%
Michał Sołowow – indirectly through Barco capital Investment Limited	16.132.128	11,11%	16.132.128	11,11%
Michał Sołowow – indirectly through FTF Galleon S.A.*	83.753.505	57,69%	0	0%
Michał Sołowow – directly and indirectly through Barco capital Investment Limited	99.885.633	68,81%	99.885.633	68,81%

* in accordance with the notice of 5th November 2010 (current report 24/2010 of 5th November 2010).

3.14. A statement of changes in the ownership of the 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	Full name	Number of shares owned (as of 28.02.2011)	Change in ownership during the period 15.11.2010 – 28.02.2011.
1.	Paweł Wrona - President of the Management Board	911	0
2.	Ryszard Pyrek – Member of the Management Board	0	0
3.	Wioleta Bartosz – Member of the Management Board	0	0
4.	Marek Janke – Member of the Management Board	17.905	0

3.15. 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.





3.16 Information on the transactions entered into by the Issuer or its subsidiary with affiliated companies on conditions other than market conditions, if these transactions individually or collectively are significant and were made on conditions other than market conditions, indication of their value, with the reservation that information on individual transactions can be grouped by type except when information on individual transactions is required to understand how they affect the issuer's assets, financial standing and the financial result.

In the fourth quarter of 2010, Barlinek S.A. and its subsidiaries did not enter into any major transactions on conditions other than market conditions.

3.17 Information concerning a loan or credit surety 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 sureties or guaranty constitutes in excess of 10% of the Issuer's equity capital.

On 8th September 2010 a Deed of Guarantee and Indemnity was signed between the European Bank for Reconstruction and Development (henceforth referred to as "EBRD") and Barlinek SA. Pursuant to the subject agreement, the Company granted to the EBRD the guarantee to pay the monetary liabilities of Barlinek Invest Ltd. (the Ukrainian subsidiary of the Issuer, Barlinek Invest) arising from the credit agreement between the EBRD and the Barlinek Invest (hereinafter "Credit Agreement"). The guarantee provided by the Issuer shall include all monetary liabilities of Barlinek Invest arising from Credit Agreement, namely the obligation to repay the credit loan in the maximum amount of EUR 10,000,000.00 (say: ten million euro), equivalent to 39,494,000 PLN (say: thirty-nine million four hundred ninety-four thousand Polish Zlotys) according to average exchange rate published by the National Bank of Poland on 8 September 2010, plus interest, fees and other charges payable to the EBRD under the Credit Agreement. The guarantee will be valid no longer than until the day the liabilities arising from the Credit Agreement are fully repaid (current report 21/2010 of 09.09.2010).

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

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

3.19. List of the factors, which in the Issuer's opinion will affect the results achieved 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 factors:**

1. domestic economic situation,
2. world markets economic situation,
3. the apartment construction sector situation,
4. the developments on financial markets,
5. currency exchange rate fluctuations in Poland, the Ukraine and Romania,
6. high inflation rate in the Ukraine and Russia

• **Internal factors:**

1. increasing number of product distribution channels,
2. entering new markets,
3. winning of new clients, continuation of cost optimisation programme through allocation of production in most cost effective locations,
4. intensification of sales in the segment of most profitable products.





Signatures:

The Board:

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

Person responsible for preparing the consolidated financial statement:

Anna Kozłowska Chief Accountant

Kielce, on 28th of February 2011

