Reinhold

SEMI-ANNUAL REPORT, JANUARY 1 – JUNE 30, 2012

Second Quarter, April – June 2012

- Net sales amounted to 260 645 Euro
- Operating loss amounted to 277 361 Euro
- Losses after taxes amounted to 812 866 Euro
- Losses per share amounted to 0.12 Euro
- Cash flow for the period amounted to -2 138 Euro

January – June 2012

- Net sales amounted to 536 951 Euro
- Operating loss amounted to 209 717 Euro
- Losses after taxes amounted to 1 578 414 Euro
- Losses per share amounted to 0.23 Euro
- Cash flow for the period amounted to 12 292 Euro

Highlight events in Reinhold Polska AB Group, first half 2012

Comments by Mr. Padraic Coll, Managing Director

The main focus in the first half was the negotiation and signing of the restructuring agreement with BZ WBK S.A. The agreement was signed with the bank in April 2012. The agreement obliged the company to make a first payment of PLN 2 500 000 in June 2012 which did not happen. Consequently, the company has engaged in a further round of discussions with the bank in order to find a solution that is satisfactory for both sides. The options for the company are to find PLN 5 000 000 which is due to be paid in two tranches in June and September 2012 or to engage in another solution with the bank where they would accept certain assets in return for the debt.

In addition the Group negotiated extra 400m2 space with PKP Cargo S.A. and is in discussions with other parties to take extra space in the Katowice office building. While the market in Katowice is challenging with substantial oversupply, the company has over 2000m2 under negotiation.

The company is in discussions with the second biggest creditor Pekao S.A. so as to keep them abreast of the activities being undertaken by the company and to ensure that no steps are taken which would cause a worsening of the existing difficult situation.

The 3rd quarter of Reinhold Polska AB will be audited as in the previous year and will be presented according to the timetable published at the start of the year.

Investments

The Group had no investments in I – IV Q 2011. Notwithstanding the above, the Group has returned to the market and examining several projects in the retail sector, both in development and standing investments. The goal is to take advantage of the low interest in foreign funds in PLN income earning assets and underperforming projects where asset management potential exists.

Project portfolio

The strategy of the company is to concentrate on the development on its commercial assets and look for disposal or joint venture opportunities for the residential assets. The company is actively monitoring the various local markets for opportunities of leasing, disposal or joint venture.

Organization

The company operates on a minimal scale from its office in Warsaw. No expansion to this is expected in the near future.

The Polish real estate market

The Polish real estate market is stable with the next direction dependent on macro conditions in the country and in Europe in general. Most of the concentration has been on the Warsaw core market with less interest in the regional markets so far. While there was some recovery in residential land prices as buyers return further investment will be dependent on the future growth prospects of Poland in 2013 and beyond. In the case of purchasers of land, even more than in previous years, buyers require all planning and sales risk to be practically eliminated before a purchase is executed. Therefore building permits must be in place, the design (especially with respect to residential projects) must reflect the current market conditions and all other risks must be completely eliminated.

Future plans

The shareholders of the company in June 2012 approved a resolution regarding authorization for the Board to carry through a new issue of shares in accordance with the Swedish Companies Act (2005:551) chapter 13 section 35. The Board of directors is actively speaking to several potential partners with a view to rebuilding the capital base of the company.

Operations

Operations according to the strategy have started on all projects, although the work has reached different levels. The following table reflects the situation of each project

Project	Site	Type of project	Status
Reinhold Przyjaźni	Wrocław	Residential/ commercial	Design phase, negotiations with a tenant for the commercial building
Reinhold Center	Katowice	Office	Phase 1 substantially leased and to be sold to PKP Cargo S.A. Second phase on hold until tenant(s) can be found
Reinhold Pulaskiego	Katowice	Residential	Master Planned
Reinhold Plaza	Kraków	Office / Retail	Master Planned

Updated information about the projects can be found on the group’s website www.reinholdpolska.com.

Financial position – Group

Group sales amounts to 536 951 (508 186) Euro and the net result is -1 578 414 (- 1 011 364) Euro. Liquid assets amounts to 24 442 (50 347) Euro.

The equity ratio is -32,92% (2,22 %). For the day to day operations the company is dependent on loans from third parties in order to secure going concern principles.

Financial position – Parent company

Sales in the parent company amounts to 8 333 Euro and net profit for the period is 2 254 307 Euro. This profit comes from interest income on loans to the subsidiaries and exchange rate gain on receivables on subsidiaries.

For the day to day operations the company is dependent on loans from third parties.

Significant risks and uncertainty factors

Through its business operations, Reinhold is exposed to various risks, both financial and operational. Operational risks relate to Reinhold's day-to-day business and the financials risks relate to the capital requirements of Reinhold's different operations.

Operational risks

For a building contractor the risk-limitation-phase is during the contract-tendering process. The strategy of Reinhold is to adopt a selective approach to tendering in order to reduce unprofitable projects. When selecting suitable contracts, Reinhold prefers projects whose risks are identified, and thus manageable and calculable.

Development risks

Proprietary project development in commercial properties includes a contract risk and a development risk. Every project concept must be adapted to local market preferences and the planning requirements imposed by public authorities. State-of-the-art skills are required to optimize the timing of projects that have to be processed by local municipalities and possibly have to pass an appeals process. To reduce these risks, Reinhold is developing primarily in large growth communities in Poland. Reinhold has consciously decided to refrain from excessively niche-oriented projects intended for narrow target groups.

Financial risks

Through its business operations Reinhold is exposed to financial risks. The principal risks are interest-rate, currency risks and financing risk. The company is in discussions with its banks in order to extend various loan agreements so that there is no risk of default on any project. At the end of June 2012 a total of 19 196 285 EUR from banks was overdue.

As mentioned above, the Group is dependent on third party loans from the expected new shareholder to carry on its business. These loans were to be repaid when the transaction with Handuk Consulting Limited originally planned for 2011 was completed. These loans have been used to repay the significant liabilities built up in the company from quarter 4 2010 to date. While these loans have not cleared all liabilities due from the running costs, these liabilities are being successively reduced. Without these loans or without similar support in the future, the Group has significant risk of insolvency.

Interest-rate risk

The interest-rate risk is the risk that changes in interest rates will affect net interest items and cash flow. The projects in Poland are partly financed by interest bearing borrowings, whereby Reinhold is exposed to an interest-rate risk.

Currency risks

The currency risk is the risk that changes in exchange rates will affect the consolidated income statement, balance sheet and cash flow statement. The functional currency of Reinhold Polska Group is euro while the operating currency in projects in Poland is zloty.

Financing risk

The financing risk is the risk that Reinhold Polska will not be able to raise enough funds to finish the development projects.

Legal risk

Other than the normal business risks of the operations and what is mentioned in the Financial Risks section of this report, Reinhold Polska is not facing any significant legal risk since the resolution of the dispute with Union Investment GmbH was been settled. Certain creditors have commenced action against the company or its subsidiaries and the company is engaged in discussions with the majority of them so as to avoid negative consequences.

Going concern

Given the financial situation of the company the question of whether the company is a going concern or not is regularly discussed by the Board. The going concern basis assumes that the company will stay in business in the foreseeable future. The Reinhold Polska Board has taken several steps since the beginning of 2011 to ensure that the company will continue in the foreseeable future and these have been mentioned in previous reports. For the company to stay in business in the short to medium term, it has relied on external sources of finance which may not continue into the long term. Coming to a conclusion with BZ WBK, whether according to the already agreed restructuring or some other solution is critical for the survival of the company in the short term.

If it were to be the case that going concern was not the proper basis for preparation of the accounts, this would mean that a write-down would be required in the valuation of Wroclaw Przyjazni project in the consolidated balance sheet and a write down in the receivables from the Wroclaw project company in the balance sheet of Reinhold Polska AB company balance sheet.

CONSOLIDATED INCOME STATEMENT

Amounts in Euro		Q2 APR-JUN 2012	Q2 APR-JUN 2011	JAN-JUN 2012	JAN-JUN 2011	JAN-DEC 2011
Net sales						
Net sales	1	260 645	264 757	536 951	508 186	1 502 888
Gross operating income		**260 645**	**264 757**	**536 951**	**508 186**	**1 502 888**
Cost of goods sold		-305 921	-215 886	-451 919	-447 013	-691 135
Other external costs		-231 736	-308 250	-293 744	-389 765	-832 682
Personnel costs		0	96 556	0	-18 963	-118 481
Depreciation and write-downs of tangible and intangible assets		-349	-866	-1 005	-2 491	-3 883 358
Operating income		**-277 361**	**-163 689**	**-209 717**	**-350 046**	**-3 932 768**
Financial items, net		-535 505	-321 978	-1 368 697	-661 318	-3 201 845
Income after financial items		**-812 866**	**-485 667**	**-1 578 414**	**-1 011 364**	**-7 134 613**
Tax		0	0	0	0	0
Income for the period		**-812 866**	**-485 667**	**-1 578 414**	**-1 011 364**	**-7 134 613**
Exchange differences on translation of foreign operations		48 746	-89 182	-53 264	264 530	574 029
Other comprehensive income		48 746	-89 182	-53 264	264 530	574 029
Total comprehensive income		**-764 120**	**-574 849**	**-1 631 678**	**-746 834**	**-6 560 584**
Attributable to the equity holders of the parent company						
-Income for the period		-812 866	-485 667	-1 578 414	-1 011 364	-7 134 613
-Other comprehensive income		48 746	-89 182	-53 264	264 530	574 029
Average number of shares		7 000 000	7 000 000	7 000 000	7 000 000	7 000 000
Earnings per share		-0,12	-0,07	-0,23	-0,14	-1,02

CONSOLIDATED BALANCE SHEET

Amounts in Euro		2012-06-30	2011-06-30	2011-12-31
Intangible assets		0	971	296
Tangible assets		7 425	1 297	7 872
Financial assets		0	0	0
Total fixed assets		**7 425**	**2 268**	**8 168**
Properties reported as current assets	2	18 899 049	24 739 483	18 270 398
Short term receivables		257 626	25 847 836	279 443
Cash and bank balances		24 442	50 347	22 330
Total current assets		**19 196 285**	**50 637 666**	**18 572 171**
TOTAL ASSETS		**19 204 243**	**50 639 934**	**18 580 339**
Equity				
Share capital		370 437	370 437	370 437
Other additional capital		32 413 283	32 413 283	32 413 283
Retained earnings and other reserves		-39 106 055	-31 660 628	-37 474 377
Total equity		**-6 322 335**	**1 123 092**	**-4 690 657**
Provision		**300 000**	**0**	**300 000**
Long term liabilities	3	**0**	**2 142 308**	**0**
Current liabilities		23 413 695	17 325 255	21 320 997
Accrued expenses and deferred income		1 812 883	2 303 383	1 649 999
Total current liabilities		**25 226 578**	**47 374 534**	**22 970 996**
TOTAL EQUITY AND LIABILITIES		**19 204 243**	**50 639 934**	**18 580 339**

Change in consolidated equity

Amounts in Euro	**2012-06-30**	**2011-06-30**	**2011-12-31**
Opening balance	-4 690 657	1 869 926	1 869 926
Total comprehensive income for the period	-1 631 678	-746 834	-6 560 583
Total transactions with equity holders	0	0	0
Closing balance	-6 322 335	1 123 092	-4 690 657

CONSOLIDATED CASH FLOW STATEMENT

Amounts in Euro	Note	Q2 APR-JUN 2012	Q2 APR-JUN 2011	JAN-JUN 2012	JAN-JUN 2011	JAN-DEC 2011
Operating profit/loss		-277 359	-163 689	-209 716	-350 046	-3 912 362
Adjustments for non-cash items		60 493	-255 543	-112 660	-350 152	3 479 078
Interest received		0	491	0	20 799	1 161 847
Interest paid		0	-691 826	0	-1 137 692	-3 713 541
Income tax paid		0	0	0	0	0
Cash flow from operating activities before working capital changes		**-216 866**	**-1 110 547**	**-322 376**	**-1 817 091**	**-2 984 978**
Changes in properties reported as current assets		0	44 496	0	-15 584	0
Changes in receivables		18 502	64 185	12 250	639 791	27 108 426
Changes in liabilities	4	1 773 284	-320 898	197 510	-2 291 130	517 062
Cash flow after working capital changes		**1 574 920**	**-1 322 764**	**-112 616**	**-3 484 014**	**24 640 510**
Purchase of/changes in equipment and property		0	0	0	0	0
Cash flow after investing activities		**1 574 920**	**-1 322 764**	**-112 616**	**-3 484 014**	**24 9640 510**
Borrowings/repayment of debt	4	-1 577 058	1 372 915	124 908	3 060 416	-25 953 648
Cash flow for the period		**-2 138**	**50 151**	**12 292**	**-423 598**	**-1 313 138**
Cash and cash equivalent at the beginning of the period		26 039	336 118	22 330	648 639	648 639
Exchange rate differences		541	-335 922	-10 180	-174 694	686 829
Cash and cash equivalents at the end of the period		**24 442**	**50 347**	**24 442**	**50 347**	**22 330**

CONSOLIDATED KEY FIGURES

Amounts in Euro	Q2 2012 Apr-Jun	Q1 2012 Jan-Mar	Q2 2011 Apr-Jun	Q1 2011 Jan-Mar	2011 Jan-Dec	2010 Jan-Dec	2009 Jan-Dec	2008 Jan-Dec	2007 Jan-Dec
Income statement									
Net sales	260 645	276 306	264 757	243 429	1 502 888	31 199 169	2 436 731	405 871	89 117
Operating profit/loss	-277 361	67 643	-163 689	-186 357	-3 932 768	-19 300 551	-3 445 552	-2 095 766	-1 714 488
Net profit/loss for the period	-1 578 414	-765 548	-485 667	-525 697	-7 134 613	-18 976 944	-2 847 354	-8 133 039	-593 863
Balance sheet									
Fixed assets	7 425	7 954	2 268	11 039	8 168	15 913	326 789	91 376	292 222
Current assets	19 196 285	19 676 710	50 637 666	50 202 136	18 572 171	53 815 446	87 829 323	69 379 568	70 230 835
Equity	-6 322 335	- 5 558 215	1 123 092	1 697 940	-4 690 657	1 869 926	21 192 055	24 191 493	31 977 287
Interest bearing liabilities	22 436 355	22 337 740	46 110 214	44 390 470	17 041 566	46 437 860	57 992 363	43 403 516	33 931 607
Non-interest bearing liabilities	3 090 223	2 605 139	3 406 628	4 126 162	6 229 430	5 423 573	7 968 047	1 875 936	4 508 218
Total assets	19 204 243	19 684 664	50 639 934	50 214 573	18 580 339	53 831 359	88 156 112	69 470 945	70 523 057
Financial ratios									
Equity/assets ratio. %	-32,92%	-28,24%	2,22%	3,38%	3,38%	-25 25%	24.04%	34,8%	45.3%
Debt/equity ratio	Neg	Neg.	44,1	28,6	28,6	Neg.	3.1	1.9	1.2
Profitability ratios									
Return on shareholder's equity. %	Neg	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.

Accounting principles, group

This report has been compiled in accordance with IAS 34, Financial Reporting. The report is compiled in accordance with International Financial Reporting Standards (IFRS) and with International Financial Reporting Interpretations Committee (IFRIC), the interpretations of financial standards approved by EU, as well as the Swedish Accounting Standards Council's RFR 1 recommendation, Reporting for Groups, and accompanying references to Chapter 9 of the Annual Accounts Act.

The report has been prepared in accordance with the same accounting principles and methods of calculations as the 2011 Annual Report.

Note 1 Segment reporting

Reinhold is conducting its operations in **one** business segment and **one** geographical area. The business segment is acquiring and developing commercial and residential properties. The geographical area is Poland.

Note 2 Properties reported as current assets
Below is table listing of all on-going projects (Euro).

2012-06-30

All projects (EUR)	Purchase price	Write-down	Capitalized interest	Other costs	Total
	9 821 895	**-16 784 413**	**4 778 275**	**21 098 993**	**18 914 750**

The capitalized interest consists of the interest on the Groups interest bearing liabilities assigned to each project. During 2012, 0 EUR has been capitalized.

Note 3 Long term liabilities

Below is a table listing of interest bearing external loans and their maturity.

Due date	Amount
Within 12 months	20 527 466 EUR
Total	**20 527 466 EUR**
Overdue	19 196 285 EUR

Note 4 Cash flow statement
Payment of debts has been financed by new borrowings.

Warsaw, 29th August 2012

THE BOARD OF DIRECTORS