Reinhold

SEMI-ANNUAL REPORT, JANUARY 1 – JUNE 30, 2011

Second quarter, April - June 2011

- Net sales amounted to 264 757 Euro
- Operating loss amounted to 163 689 Euro
- Losses after taxes amounted to 485 667 Euro
- Losses per share amounted to 0.07 Euro
- Cash flow for the period amounted to 50 151 Euro

January - June 2011

- Net sales amounted to 508 186 Euro
- Operating loss amounted to – 350 046 Euro
- Losses after taxes amounted to 1 011 364 Euro
- Losses per share amounted to 0.14 Euro
- Cash flow for the period amounted to -423 598 Euro

Highlight events in Reinhold Polska AB Group, first half 2011

Comments by Mr. Padraic Coll, Managing Director

As mentioned in previous reports, the first half of 2011 was a period wholly concentrated on cost reduction, resolving issues with creditor banks and the resolving of disputes with counterparties.

The two significant agreements signed in the first half, have been the initial conditional agreement to sell the office building in Katowice to PKP Cargo S.A. for PLN 53 million and the agreement to settle the dispute between the Reinhold Group and Union Investment GmbH. The impact of the sale of the office building to PKP Cargo has a limited affect on the financial result of the company however the reduction of indebtness of the group is the significant event. Likewise the resolution of the Union Investments dispute is most significant in that it eliminates a contingency liability from the Group which, although low in probability, was seen to be a significant liability for the company's efforts to return to the debt and capital markets.

In terms of negotiations with creditor banks, the successful resolution of the Extraordinary General Meeting of Shareholders of Reinhold Polska AB to recapitalise the company which took place on 5th August 2011 has made the possibility of successful negotiation of these loans all the more likely. The company is actively in discussions with the banks and expect to have positive outcomes of these discussions in quarter 3 or quarter 4 of 2011.

In terms of the reduction of costs in the Group, the costs have reduced 15 % from the month December 2010 to June 2011. Similarly staff numbers have been reduced from 11 in December 2010 to 4 in June 2011.

Investments

The company had no investments in the first half of 2011. During the period the Groups two subsidiaries RPP 11 and RPP 13 has been winded up. This has affected the result on group level with – 20 406 EUR.

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

As previously announced the offices in Wroclaw and Katowice have been closed in addition to a change of offices in Warsaw. The cost reducing programme is continuing and the savings will be more clear in the second half of the year.

The Polish real estate market

The Polish real estate market is on a good path of recovery with more and more investment funds re-entering the market in 2011. Most of the concentration has been on the Warsaw core market with less interest in the regional markets so far. There is some recovery in residential land prices as buyers return, however there is no possibility that the land prices in the sector will return to the pre boom prices in the short to medium term.

Future plans

The board of directors in April 2011 recommended that a proposal from Handuk Consulting Limited, a company closely tied to Alterco S.A. to contribute certain assets into the Company be voted upon at the Annual General meeting of the Company. These three assets consist of retail and logistics, both completed and under development. As previously mentioned this is the first step in the strategy of the company to transform itself into an investment holding company with development capabilities rather than just a development company. The company believes that this change of strategy will provide for a more stable growth path to recovery for the company. In addition to the above, the Company has already identified a number of income generating assets that it wishes to acquire and it is in discussions with interested sellers at the present time. The proposal was successfully voted upon at an Extraordinary General Meeting of the Shareholders on 5th August 2011.

Operations

Operations according to the strategy have started on all projects, although the work has reached different levels. Please see table below for the status 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.
Reinhold Pulaskiego	Katowice	Residential	Building permit obtained
Reinhold Plaza	Kraków	Office / Retail	Building permit pending

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

Financial position - Group

Group sales amounts to 508 186 (42 794 791) Euro and the net result is -1 011 364 (3 428 405) Euro. Liquid assets amounts to 50 347 (1 090 478) Euro.

The equity ratio is 2.22% (31,2%). The effective solidity is higher on group level since a major part of all long-term loans are backed up with liquid funds in the parent company.

For the day to day operations the company is dependent on loans from third parties in order to secure going concern principles. This situation is expected to continue until at least the Annual General Meeting of the company.

Financial position - Parent company

Sales in the parent company amounts to 142 429 Euro and net loss for the period is 18 616 662 Euro. The loss comes from a provision of expected future losses on intercompany receivables, which will come from payment of DNB loans from Reinhold Polska AB cash deposit. This result is at the parent company only because this actual result was already indirectly incorporated into the 2010 consolidated balance sheet of the Group through the consolidated losses of these 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 2011 a total of 16.380.274 EUR from banks was overdue.

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 Reinhold Polska is not facing any significant legal risk since the resolution of the dispute with Union Investment GmbH was been settled.

CONSOLIDATED INCOME STATEMENT

Amounts in Euro		Q2 APR-JUN 2011	Q2 APR-JUN 2010	JAN-JUN 2011	JAN-JUN 2010	JAN-DEC 2010
Net sales						
Net sales	1	264 757	12 895 838	508 186	42 794 791	31 199 169
Gross operating income		**264 757**	**12 895 838**	**508 186**	**42 794 791**	**31 199 169**
Cost of goods sold		-215 886	-8 927 919	-447 013	**-37 523 921**	-45 581 538
Other external costs		-308 250	-923 247	-389 765	-1 581 158	-3 441 414
Personnel costs		96 556	-138 271	-18 963	-268 017	-462 469
Depreciation and write-downs of tangible and intangible assets		-866	-4 343	-2 491	-8 051	-14 299
Operating income		**-163 689**	**2 902 058**	**-350 046**	**3 413 644**	**-19 300 551**
Financial items, net		-321 978	-1 977 328	-661 318	14 761	323 607
Income after financial items		**-485 667**	**924 730**	**-1 011 364**	**3 428 405**	**-18 976 944**
Tax		0	0	0	0	0
Income for the period		**-485 667**	**924 730**	**-1 011 364**	**3 428 405**	**-18 976 944**
Exchange differences on translation of foreign operations		-89 182	485 655	264 530	128 312	-345 186
Other comprehensive income		-89 182	485 655	264 530	128 312	-345 186
Total comprehensive income		**-574 849**	**1 410 385**	**-746 834**	**3 556 717**	**-19 322 130**
Attributable to the equity holders of the parent company						
-Income for the period		-485 667	924 370	-1 011 364	3 428 405	-18 976 944
-Other comprehensive income		-89 182	485 655	264 530	128 312	-345 186
Average number of shares		7 000 000	7 000 000	7 000 000	7 000 000	7 000 000
Earnings per share		-0,07	0,13	-0,14	0,49	-2,71

CONSOLIDATED BALANCE SHEET

Amounts in Euro		2011-06-30	2010-06-30	2010-12-31
Intangible assets		971	2 678	1 629
Tangible assets		1 297	22 216	14 284
Financial assets		0	938 434	0
Total fixed assets		**2 268**	**963 328**	**15 913**
Properties reported as current assets	2	24 739 483	34 608 720	24 225 109
Short term receivables		25 847 836	42 650 886	28 941 698
Cash and bank balances		50 347	1 090 478	648 639
Total current assets		**50 637 666**	**78 350 084**	**53 815 446**
TOTAL ASSETS		**50 639 934**	**79 313 412**	**53 831 359**
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		-31 660 628	-8 034 948	-30 913 794
Total equity		**1 123 092**	**24 748 772**	**1 869 926**
Provision		**0**	**0**	**400 000**
Long term liabilities	3	**2 142 308**	**26 488 020**	**2 133 312**
Current liabilities		45 071 151	17 325 255	46 765 431
Accrued expenses and deferred income		2 303 383	10 751 365	2 662 690
Total current liabilities		**47 374 534**	**28 076 620**	**49 428 121**
TOTAL EQUITY AND LIABILITIES		**50 639 934**	**79 313 412**	**53 831 359**

Change in consolidated equity

Amounts in Euro	2011-06-30	2010-06-30	2010-12-31
Opening balance	1 869 926	21 192 055	21 192 055
Total comprehensive income for the period	-746 834	-3 556 717	-19 322 130
Total transactions with equity holders	0	0	0
Closing balance	1 123 092	24 748 772	1 869 926

CONSOLIDATED CASH FLOW STATEMENT

Amounts in Euro		Q2 APR-JUN 2011	Q2 APR-JUN 2010	JAN-JUN 2011	JAN-JUN 2010	JAN-DEC 2010
Operating profit/loss		-163 689	2 902 059	-350 046	3 413 644	-19 300 551
Adjustments for non-cash items		-255 543	489 998	-350 152	136 363	13 684 875
Interest received		491	320 702	20 799	500 011	1 052 526
Interest paid		-691 826	-394 046	-1 137 692	-442 050	-1 880 937
Income tax paid		0	0	0	0	0
Cash flow from operating activities before working capital changes		**-1 110 547**	**3 318 713**	**-1 817 091**	**3 607 968**	**-6 444 047**
Changes in properties reported as current assets		44 496	641 672	-15 584	21 921 124	19 034 159
Changes in receivables		64 185	-7 121 637	639 791	-15 389 628	-1 383 269
Changes in liabilities	4	-320 898	425 767	-2 291 130	-11 848 600	-16 532 289
Cash flow after working capital changes		**-1 322 764**	**-2 735 485**	**-3 484 014**	**-1 709 136**	**-1 709 136**
Purchase of/changes in equipment and property		0	367 070	-0	-34 590	-594
Cash flow after investing activities		**-1 322 764**	**-2 368 415**	**-3 484 014**	**-1 743 726**	**-5 326 080**
Borrowings/repayment of debt	4	1 372 915	-4 056 705	3 060 416	-1 160 817	1 129 665
Cash flow for the period		**50 151**	**-6 425 120**	**-423 598**	**-2 904 543**	**-4 196 415**
Cash and cash equivalent at the beginning of the period		336 118	9 419 582	648 639	4 038 221	4 038 221
Exchange rate differences		-335 922	-1 903 984	-174 694	-43 200	806 833
Cash and cash equivalents at the end of the period		**50 347**	**1 090 478**	**50 347**	**1 090 478**	**648 639**

CONSOLIDATED KEY FIGURES

Amounts in Euro	Q2 2011 Apr-Jun	Q1 2011 Jan-Mar	Q2 2010 Apr-Jun	Q1 2010 Jan-Mar	2010 Jan-Dec	2009 Jan-Dec	2008 Jan-Dec	2007 Jan-Dec
Income statement								
Net sales	264 757	243 429	12 895 838	29 898 953	31 199 169	2 436 731	405 871	89 117
Operating profit/loss	-163 689	-186 357	2 902 058	511 585	-19 300 551	-3 445 552	-2 095 766	-1 714 488
Net profit/loss for the period	-485 667	-525 697	924 730	2 503 674	-18 976 944	-2 847 354	-8 133 039	-593 863
Balance sheet								
Fixed assets	2 268	11 039	963 328	724 741	15 913	326 789	91 376	292 222
Current assets	50 637 666	50 202 136	78 350 084	80 199 223	53 815 446	87 829 323	69 379 568	70 230 835
Equity	1 123 092	1 697 940	24 748 772	23 338 386	1 869 926	21 192 055	24 191 493	31 977 287
Interest bearing liabilities	46 110 214	44 390 470	41 489 700	46 455 469	46 437 860	57 992 363	43 403 516	33 931 607
Non-interest bearing liabilities	3 406 628	4 126 162	13 074 940	4 591 373	5 423 573	7 968 047	1 875 936	4 508 218
Total assets	50 639 934	50 214 573	79 313 412	80 923 963	53 831 359	88 156 112	69 470 945	70 523 057
Financial ratios								
Equity/assets ratio. %	2,22%	3.38%	31,2%	28,47%	3,47%	24.04%	34,8%	45.3%
Debt/equity ratio	44,1	28,6	2,2	2.5	2.5	3.1	1.9	1.2
Profitability ratios								
Return on shareholder's equity. %	Neg.	Neg.	3,7	10,7	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 2010 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.

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

2011-06-30

	Purchase price	Capitalized interest	Other costs	Total
All projects	**10 192 930**	**5 277 769**	**9 005 993**	**24 476 692**

The capitalized interest consists of the interest on the Groups interest bearing liabilities assigned to each project. The rate is WIBOR PLN 1 M +0,47%. During Q2 2011, 214 776 Euro has been capitalized.

Note 3 Long term liabilities

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

Due date	Amount
Overdue	16 380 274 EUR
Within 12 months	27 613 871 EUR
After 12 months	2 116 069 EUR
Total	**46 110 214 EUR**

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

The company auditors have not audited this report

Warsaw, 31 August 2011

THE BOARD OF DIRECTORS

If you have any questions, please contact:
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