Reinhold

THREE MONTH REPORT, JANUARY 1 – MARCH 31, 2012

First Quarter, January – March 2012

- Net sales amounted to 276 306 Euro
- Operating loss amounted to 765 548 Euro
- Losses after taxes amounted to 765 548 Euro
- Losses per share amounted to 0.11 Euro
- Cash flow for the period amounted to 14 430 Euro

First Quarter, January – March 2011

- Net sales amounted to 243 429 Euro
- Operating loss amounted to 186 357 Euro
- Losses after taxes amounted to 525 697 Euro
- Losses per share amounted to 0.08 Euro
- Cash flow for the period amounted to -473 749 Euro

Highlight events in Reinhold Polska AB Group, 3 months 2012

Comments by Mr. Padraic Coll, Managing Director

The first quarter focused on engaging with BZ WBK S.A. and the negotiation of a restructuring agreement based on the fact that the transaction to sell Reinhold Centre in Katowice did not close in December 2011. The agreement was signed with the bank in April 2012.

In addition the Group commenced negotiation with PKP Cargo S.A. and other parties to take extra space in the building as this activity was not permitted under the initial sales agreement with PKP Cargo S.A. The goal of the company is to have as close to full leasing of the building by the end of 2012. The market in Katowice is challenging with substantial oversupply, and the company has engaged both international and local agents as well as its own contacts to ensure best efforts on the leasing.

The company also engaged in discussions into possible co-operation on its sites in Krakow, Katowice residential and Wroclaw however nothing is forthcoming as of the date of this report.

The company is in active discussions with various creditors, the main apart from BZ WBK S.A. is 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.

Investments and Operations

During the year, which was the Group's 5th year in business, the Company maintained or invested in the 4 projects which it owns. As mentioned above, some of the projects will be developed and, depending on the sales process, some may have to be sold in 2012.

Information concerning the projects
The table below shows the Group's current projects and which phase they are in.

Project name	City	Type	Status
Reinhold Przyjaźni	Wrocław	Housing/Commercial	Design phase
Reinhold Center	Katowice	Offices	Mainly leased reminder of land for sale/development
Reinhold Pulaskiego	Katowice	Housing	To be disposed
Reinhold Plaza	Kraków	Shops/Offices	To be disposed

Resulting from the signing of the restructuring agreement between Reinhold Polska AB, Reinhold Polska Projekt 4 and BZ WBK S.A. in April 2012, the group has obliged itself to reduce the level of debt owing to BZ WBK S.A by the end of December 2012. The reduction will be caused by a mixture of cash injected into the company as well as asset sales.

With respect of Reinhold Project Polska 1 (Wroclaw Przyjazni) the assumption is that the project will be developed with in the Reinhold structure and that a profit will be made on the project. The project has two separate parts, a residential apartment development and a medical centre/office part. Both parts can be independently developed. While the residential part can be developed through additional equity or mezzanine loan from a general contractor, the commercial part realistically can only be started after securing a pre-lease for 60% of the space. While the Board of Directors is satisfied that the project will be a success, it is clear that the company itself is not in a position to develop the project independently at the moment.

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 out of one office in Warsaw and the situation will not change until extra funds are secured for an increase in the development activity of the company,

The Polish real estate market

The Polish real estate market is maintaining its place as one of the most attractive investment markets for foreign funds in Europe. As mentioned previously, 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. 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. Due to recent changes in the law concerning residential development, it is more difficult to finance residential development in a SPV without guarantees from e.g. the mother company. This will have the impace in the medium term of eliminating smaller developers from the market.

Future plans

The Company will focus in 2012 on delivering the requirement of the restructuring agreement as signed with BZ WBK S.A. as well as positioning the company for a recapitalization through a mixture of cash and assets. The objective of the company will be to sign an agreement with an investor(investors) in the third quarter of 2012 with the objective of seeking approval of any capital increase by the fourth quarter of 2012 at the latest.

Financial position - Group

Group sales amounts to 276 306 (243 429) Euro and the net result is -765 548 (- 525 697) Euro. Liquid assets amounts to 26 039 (336 118) Euro.

The equity ratio is -28,24% (3,38 %).

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 0 Euro and net profit for the period is 2 390 880 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 December 2011 a total of 17 228 434 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 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.

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. At the same time as the restructuring agreement with BZ WBK is realized, Reinhold Polska AB can conceivably function into the long term, however at a very low level and little or no profitability

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		Q1 JAN-MAR 2012	Q1 JAN-MAR 2011	JAN-DEC 2011
Net sales				
Net sales	1	276 306	243 429	1 502 888
Gross operating income		**276 306**	**243 429**	**1 502 888**
Cost of goods sold		-145 998	-231 128	-691 135
Other external costs		-62 008	-81 514	-832 682
Personnel costs		0	-115 519	-118 481
Depreciation and write-downs of tangible and intangible assets		-656	-1 625	-3 883 358
Operating income		**67 643**	**-186 357**	**-3 932 768**
Financial items, net		-833 191	-339 340	-3 201 845
Income after financial items		**-765 548**	**-525 697**	**-7 134 613**
Tax		0	0	0
Income for the period		**-765 548**	**-525 697**	**-7 134 613**
Exchange differences on translation of foreign operations		-102 010	353 711	574 029
Other comprehensive income		-102 010	353 711	574 029
Total comprehensive income		**-867 558**	**-171 986**	**-6 560 584**
Attributable to the equity holders of the parent company				
-Income for the period		-765 548	-525 697	-7 134 613
-Other comprehensive income		-102 010	-353 711	574 029
Average number of shares		7 000 000	7 000 000	7 000 000
Earnings per share		-0,11	-0,08	-1,02

CONSOLIDATED BALANCE SHEET

Amounts in Euro		2012-03-31	2011-03-31	2011-12-31
Intangible assets		4	1 398	296
Tangible assets		7 954	11 039	7 872
Financial assets		0	0	0
Total fixed assets		**7 958**	**12 437**	**8 168**
Properties reported as current assets	2	19 380 847	24 302 819	18 270 398
Short term receivables		269 820	25 563 199	279 443
Cash and bank balances		26 039	336 118	22 330
Total current assets		**19 676 710**	**50 202 136**	**18 572 171**
TOTAL ASSETS		**19 684 664**	**50 214 573**	**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		-38 341 935	-31 085 780	-37 474 377
Total equity		**-5 558 215**	**1 697 940**	**-4 690 657**
Provision		**300 000**	**400 000**	**300 000**
Long term liabilities	3	**0**	**2 111 935**	**0**
Current liabilities		23 298 920	43 418 074	21 320 997
Accrued expenses and deferred income		1 643 960	2 586 623	1 649 999
Total current liabilities		**24 942 880**	**46 004 697**	**22 970 996**
TOTAL EQUITY AND LIABILITIES		**19 684 664**	**50 214 572**	**18 580 339**

Change in consolidated equity

Amounts in Euro	2012-03-31	2011-03-31	2011-12-31
Opening balance	-4 690 657	1 869 926	1 869 926
Total comprehensive income for the period	-867 558	-171 986	-6 560 583
Total transactions with equity holders	0	0	0
Closing balance	-5 558 215	1 697 940	-4 690 657

CONSOLIDATED CASH FLOW STATEMENT

Amounts in Euro		Q1 JAN-MAR 2012	Q1 JAN-MAR 2011	JAN-DEC 2011
Operating profit/loss		67 643	-186 357	-3 912 362
Adjustments for non-cash items		-173 153	-94 609	3 479 078
Interest received		0	20 308	1 161 847
Interest paid		0	-445 866	-3 713 541
Income tax paid		0	0	0
Cash flow from operating activities before working capital changes		**-105 510**	**-706 544**	**-2 984 978**
Changes in properties reported as current assets		0	-60 080	0
Changes in receivables		-6 252	575 606	27 108 426
Changes in liabilities	4	-1 575 774	-1 970 232	517 062
Cash flow after working capital changes		**-1 687 536**	**-2 161 250**	**24 640 510**
Purchase of/changes in equipment and property		0	0	0
Cash flow after investing activities		**-1 687 536**	**-2 161 250**	**24 9640 510**
Borrowings/repayment of debt	4	1 701 966	1 687 501	-25 953 648
Cash flow for the period		**14 430**	**-473 749**	**-1 313 138**
Cash and cash equivalent at the beginning of the period		22 330	648 639	648 639
Exchange rate differences		-10 721	161 227	686 829
Cash and cash equivalents at the end of the period		**26 039**	**336 118**	**22 330**

CONSOLIDATED KEY FIGURES

Amounts in Euro	Q1 2012 Jan-Mar	Q4 2011 Oct-Dec	Q3 2011 Jul-Sep	Q2 2011 Apr-Jun	Q1 2011 Jan-Mar	2010 Jan-Dec	2009 Jan-Dec	2008 Jan-Dec	2007 Jan-Dec
Income statement									
Net sales	276 306	519 377	475 325	264 757	243 429	31 199 169	2 436 731	405 871	89 117
Operating profit/loss	67 643	-3 779 195	196 473	-163 689	-186 357	-19 300 551	-3 445 552	-2 095 766	-1 714 488
Net profit/loss for the period	-765 548	-1 856 922	-1 064 482	-485 667	-525 697	-18 976 944	-2 847 354	-8 133 039	-593 863
Balance sheet									
Fixed assets	7 954	8 168	1 536	2 268	11 039	15 913	326 789	91 376	292 222
Current assets	19 676 710	18 572 171	22 482 055	50 637 666	50 202 136	53 815 446	87 829 323	69 379 568	70 230 835
Equity	-5 558 215	- 4 690 657	-62 283	1 123 092	1 697 940	1 869 926	21 192 055	24 191 493	31 977 287
Interest bearing liabilities	22 337 740	20 304 566	18 915 483	46 110 214	44 390 470	46 437 860	57 992 363	43 403 516	33 931 607
Non-interest bearing liabilities	2 605 139	2 666 430	3 330 391	3 406 628	4 126 162	5 423 573	7 968 047	1 875 936	4 508 218
Total assets	19 684 664	19 580 339	22 483 591	50 639 934	50 214 573	53 831 359	88 156 112	69 470 945	70 523 057
Financial ratios									
Equity/assets ratio. %	-28,24%	-4,17%	-0,28%	2,22%	3,38%	3,47%	24.04%	34,8%	45.3%
Debt/equity ratio	Neg	Neg.	Neg.	44,1	28,6	2.5	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 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.

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

2012-03-31

All projects (EUR)	Purchase price	Write-down	Capitalized interest	Other costs	Total
	9 821 895	**-16 784 413**	**4 778 275**	**21 565 091**	**19 380 847**

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	20 454 302 EUR
Total	**20 454 302 EUR**
Overdue	18 976 559 EUR

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

Warsaw, 23 May 2012

THE BOARD OF DIRECTORS

If you have any questions, please contact:
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