Reinhold

NINE MONTHS REPORT, JANUARY 1 – SEPTEMBER 30, 2012

Third quarter, July - September 2012

- Net sales amounted to 310 228 Euro
- Operating income amounted to -1 937 790 Euro
- Losses after taxes amounted to -2 433 781 Euro
- Losses per share amounted to -0.35 Euro
- Cash flow for the period amounted to -196 696 Euro

January - September 2012

- Net sales amounted to 847 179 Euro
- Operating loss amounted to –2 147 507 Euro
- Losses after taxes amounted to -4 012 195 Euro
- Losses per share amounted to -0.57 Euro
- Cash flow for the period amounted to -184 404 Euro

Highlighted events in Reinhold Polska AB Group, first nine months 2012

Comments by Mr. Padraic Coll, Managing Director

The third quarter was spent in negotiations with the major creditors of the company BZ WBK S.A. and Pekao S.A. in relation to the overdue loans towards those two banks. While there are no formal decisions agreed with either banks, the goal is to conclude an agreement with BZ WBK S.A. which will exchange the obligations of the Reinhold Polska Group for the assets pledged to the bank i.e. Krakow Zakopianska and the land and buildings at Korfantego, Katowice. In parallel with this, the Group has taken steps to repay the Pekao S.A. loan by the sale of the land in Wroclaw.

If the above plan is achieved, the Group will remain with one project, the residential site at Pulawskiego in Katowice which also will be sold.

These steps have been taken since the last report of the company as a result of the inability of the Group to attract new sources of financing notwithstanding the efforts of the Board to do so.

The impact of the on the financial result has been to value the land in Wroclaw at its sales value and not its development value as it is unlikely that the Group will be able to develop the project by itself or in a joint venture. Similarly at the company balance sheet level, the loans to the subsidiaries holding the assets in Krakow and Wroclaw have been written down to reflect the likelihood that BZ WBK will take the asset in Krakow and that the sales value in Wroclaw will not be sufficient to repay the loan to Reinhold Polska AB.

Because of the write-downs of assets at the parent company level, the equity of the parent company is now less than half of the registered share capital of the company which require certain steps to be taken by Reinhold Polska AB under Swedish company law. The main requirements are for the Board of Directors to prepare a so-called “control balance sheet”, have this balance sheet audited and to call an Extraordinary General Meeting of Shareholders where the shareholders of the company will be given the opportunity to decide of the future of the company.

At the Annual General Meeting of the company in June 2011, the shareholders voted to appoint a special investigator to examine various transactions and business decisions made by the company over previous years. At the time of writing, the investigation on hold as the investigator has not been able to secure financing from the company to finalise the report. The investigator has taken legal action against the company to secure such financing notwithstanding the fact that the company has constantly shown that it does not have the funds to do so. As of the date of this report the investigator has secured a judgement against the company for the additional funds.

Other than the judgement of the court in favour of the special investigator, the company is party to recovery proceedings of other creditors. Without an injection of cash into the company, the company has little possibility to repay these creditors.

Similarly to 2011, the Board of Directors decided to audit the 3rd quarter results instead of the results for the first half of the year. This process has not concluded however when it is finished, a supplementary report will be published by the company.

Investments

The Group had no investments in I – III Q 2012

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. Notwithstanding the comments above, the company actively monitors 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 Polish real estate market

The Polish real estate market recovery which was visible in 2011 has stalled in 2012. This is due to a combination of factors among them, lack of fully functioning credit markets, doubts about the ability of the single currency union to resolve its difficulties, lack of clarity on the economic direction of Poland in 2013, low consumer confidence both in the EU and in Poland and investors concentrating on core assets only. This uncertainty is for sure going to remain for the remainder of 2012 and for the first half of 2013. The progress of the market after that will depend on the resolution of the issues out lined above.

Future plans

The board of directors have, since early 2011, searched for a solution to recapitalize Reinhold Polska AB. The first solution which was the recapitalization through the contribution of the assets of Handuk Limited did not occur. Since then the Board have exhaustively spoken to both the largest shareholders of the company and to many groups who have expressed an interest in recapitalizing the company. Notwithstanding many declarations of interest, no party has come forward to date with a binding offer with proof of funds which the Board can recommend with any confidence of implementation. As a result of this and based on how the Polish real estate market is developing, there is no place of small developers like Reinhold Polska AB in its current form, with small projects in secondary cities. The future of the company requires firstly a stabilization of the overdue liabilities through an injection of cash followed by the sale of the existing assets to satisfy the claims of banks and to provide some cash going forward. If this was to occur, then the company can be seen as an attractive target for a large company who is seeking a listed vehicle with a track record of operations in Poland.

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, to be sold
Reinhold Center	Katowice	Office	Phase 1 substantially leased to PKP Cargo S.A. Subject to discussions with BZ WBK as to its future.
Reinhold Pulaskiego	Katowice	Residential	To be sold
Reinhold Plaza	Kraków	Office / Retail	Subject to discussions with BZ WBK, either to be sold or exchanged with the bank.

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

Financial position - Group

Group sales amounts to 847 179 (983 511) Euro and the net result is -4 012 195 (-2 075 846) Euro. Liquid assets amounts to 6 086 (46 431) Euro.

The equity ratio is -49,42% (-0,28%).

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 for the period January - September amounts to 16 666 Euro and net loss for the period is -4 855 861 Euro. This loss comes from write-downs of receivables from loan to subsidiaries. Total equity in the parent company as of Sep 30, 2012 is – 3 610 707 Euro.

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 September 2012, a total of 19 645 974 EUR from banks was overdue.

As mentioned above, the Group has dependent on third party loans from 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. There is no further guarantee that the lender is in a position to finance liabilites any further. Because of this, overdue trade creditors in the company are in excess of 411 024 as of the balance sheet date. Some of these creditors have taken legal steps in order to recover the amounts due to them. There is an extremely high risk of insolvency if there is not an immediate injection of cash.

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, what is mentioned in the Financial Risks section of this report and proceedings from creditors, 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		Q3 JUL-SEP 2012	Q3 JUL-SEP 2011	JAN-SEP 2012	JAN-SEP 2011	JAN-DEC 2011
Net sales						
Net sales	1	310 228	475 325	847 179	983 511	1 502 888
Gross operating income		**310 228**	**475 325**	**847 179**	**983 511**	**1 502 888**
Cost of goods sold		-168 587	-153 475	-620 506	-600 488	-691 135
Other external costs		-143 495	-119 452	-437 239	-509 215	-832 682
Personnel costs		0	-5 291	0	-24 254	-118 481
Depreciation and write-downs of tangible and intangible assets		-1 935 936	-635	-1 936 941	-3 127	-3 883 358
Operating income		**-1 937 790**	**196 473**	**-2 147 507**	**-153 573**	**-3 932 768**
Financial items, net		-495 991	-1 260 955	-1 864 688	-1 922 273	-3 201 845
Income after financial items		**-2 433 781**	**-1 064 482**	**-4 012 195**	**-2 075 846**	**-7 134 613**
Tax		0	0	0	0	0
Income for the period		**-2 433 781**	**-1 064 482**	**-4 012 195**	**-2 075 846**	**-7 134 613**
Exchange differences on translation of foreign operations		-19 026	-120 893	-72 290	143 637	574 029
Other comprehensive income		-19 026	-120 893	-72 290	143 637	574 029
Total comprehensive income		**-2 452 807**	**-1 185 375**	**-4 084 485**	**-1 932 209**	**-6 560 584**
Attributable to the equity holders of the parent company						
-Income for the period		-2 433 781	-1 064 482	-4 012 195	-2 075 846	-7 134 613
-Other comprehensive income		-19 026	-120 893	-72 290	143 637	574 029
Average number of shares		7 000 000	7 000 000	7 000 000	7 000 000	7 000 000
Earnings per share		-0,35	-0,15	-0,57	-0,30	-1,02

CONSOLIDATED BALANCE SHEET

Amounts in Euro		2012-09-30	2011-09-30	2011-12-31
Intangible assets		0	584	296
Tangible assets		7 299	952	7 872
Financial assets		0	0	0
Total fixed assets		**7 299**	**1 536**	**8 168**
Properties reported as current assets	2	17 546 218	21 676 824	18 270 398
Short term receivables		195 989	758 800	279 443
Cash and bank balances		6 086	46 431	22 330
Total current assets		**17 748 293**	**22 482 055**	**18 572 171**
TOTAL ASSETS		**17 755 592**	**22 483 591**	**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		-41 558 863	-32 846 003	-37 474 377
Total equity		**-8 775 143**	**-62 283**	**-4 690 657**
Provision		**300 000**	**300 000**	**300 000**
Long term liabilities		**0**	**1 963 280**	**0**
Current liabilities		24 229 963	18 562 195	21 320 997
Accrued expenses and deferred income		2 000 772	1 720 399	1 649 999
Total current liabilities		**26 230 735**	**20 282 594**	**22 970 996**
TOTAL EQUITY AND LIABILITIES		**17 755 592**	**22 483 591**	**18 580 339**

Change in consolidated equity

Amounts in Euro	2012-09-30	2011-09-30	2011-12-31
Opening balance	-4 690 657	1 869 926	1 869 926
Total comprehensive income for the period	-4 084 485	-1 932 209	-6 560 583
Total transactions with equity holders	0	0	0
Closing balance	-8 775 143	-62 283	-4 690 657

CONSOLIDATED CASH FLOW STATEMENT

Amounts in Euro	Q3 JUL-SEP 2012	Q3 JUL-SEP 2011	JAN-SEP 2012	JAN-SEP 2011	JAN-DEC 2011
Operating profit/loss	-1 937 790	196 473	-2 147 507	153 573	-3 912 362
Adjustments for non-cash items	1 873 003	155 669	1 760 344	-194 483	3 479 078
Interest received	0	1 131 679	0	1 152 478	1 161 847
Interest paid	0	-804 193	0	-1 941 885	-3 713 541
Income tax paid	0	0	0	0	0
Cash flow from operating activities before working capital changes	**-64 787**	**679 628**	**-387 163**	**-1 137 463**	**-2 984 978**
Changes in properties reported as current assets	0	0	0	0	0
Changes in receivables	55 233	71 284	67 483	711 075	27 108 426
Changes in liabilities	6 393	-412 420	203 903	-2 703 550	517 062
Cash flow after working capital changes	**-3 161**	**338 492**	**-115 777**	**-3 129 938**	**24 640 510**
Purchase of/changes in equipment and property	0	0	-0	-0	0
Cash flow after investing activities	**- 3 161**	**338 492**	**-115 777**	**-3 129 938**	**24 9640 510**
Borrowings/repayment of debt	-193 535	-1 057 833	-68 627	2 002 583	-25 953 648
Cash flow for the period	**-196 696**	**-719 341**	**-184 404**	**-1 127 355**	**-1 313 138**
Cash and cash equivalent at the beginning of the period	24 442	50 347	22 330	648 639	648 639
Exchange rate differences	178 340	715 425	168 160	525 147	686 829
Cash and cash equivalents at the end of the period	**6 086**	**46 431**	**6 086**	**46 431**	**22 330**

CONSOLIDATED KEY FIGURES

Amounts in Euro	Q3 2012 Jul-Sep	Q2 2012 Apr-Jun	Q1 2012 Jan-Mar	Q3 2011 Jul-Sep	2011 Jan-Dec	2010 Jan-Dec	2009 Jan-Dec	2008 Jan-Dec	2007 Jan-Dec
Income statement									
Net sales	310 228	260 645	276 306	475 325	1 502 888	31 199 169	2 436 731	405 871	89 117
Operating profit/loss	-1 937 790	-277 361	67 643	196 473	-3 932 768	-19 300 551	-3 445 552	-2 095 766	-1 714 488
Net profit/loss for the period	-2 433 781	-812 866	-765 548	-1 064 482	-7 134 613	-18 976 944	-2 847 354	-8 133 039	-593 863
Balance sheet									
Fixed assets	7 299	7 425	7 954	1 536	8 168	15 913	326 789	91 376	292 222
Current assets	17 748 293	19 196 285	19 676 710	22 482 055	18 572 171	53 815 446	87 829 323	69 379 568	70 230 835
Equity	-8 775 143	-6 322 335	- 5 558 215	-62 283	-4 690 657	1 869 926	21 192 055	24 191 493	31 977 287
Interest bearing liabilities	23 165 332	22 436 355	22 337 740	18 915 483	17 041 566	46 437 860	57 992 363	43 403 516	33 931 607
Non-interest bearing liabilities	3 065 403	2 790 223	2 605 139	3 330 391	6 229 430	5 423 573	7 968 047	1 875 936	4 508 218
Total assets	17 755 592	19 204 243	19 684 664	22 483 591	18 580 339	53 831 359	88 156 112	69 470 945	70 523 057
Financial ratios									
Equity/assets ratio. %	-49,42%	-32,92%	-28,24%	-0.28%	3,38%	-25 25%	24.04%	34,8%	45.3%
Debt/equity ratio	Neg	Neg	Neg.	375,2	28,6	Neg.	3.1	1.9	1.2
Profitability ratios									

Return on shareholder's equity. %	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.

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

2012-09-30

All projects (EUR)	Purchase price	Write-down	Capitalized interest	Other costs	Total
	9 821 895	**-18 719 992**	**4 778 275**	**21 666 040**	**17 546 218**

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

Warsaw, 27 November 2012

THE BOARD OF DIRECTORS

If you have any questions, please contact:
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