Reinhold

THREE MONTHS REPORT, JANUARY 1 – MARCH 31, 2011

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

First quarter, January - March 2010

- Net sales amounted to 29 898 953 Euro
- Operating loss amounted to – 511 585 Euro
- Profits after taxes amounted to 2 503 674 Euro
- Profits per share amounted to 0.36 Euro
- Cash flow for the period amounted to 3 520 577 Euro

Highlight events in Reinhold Polska AB Group, first 3 months 2011

Comments by Mr. Padraic Coll, Managing Director

After the agreement signed on 23 December 2010, the company has entered into a period of strategic review as to how to proceed with the existing assets of the company. It has also entered into dialogue with its debt finance providers to examine ways of reducing the indebtness of the group.. Other than the loans with DnB Nord which are secured against deposits held by Reinhold Polska AB, the largest outstanding loan with BZ WBK S.A. connected with the construction of the office building mainly leased by PKP Cargo S.A. in Katowice. The company is, as has been communicated earlier, about to finalize a sale of the property.

The company has also taken steps to address the dispute with Union Investment Real Estate GmbH concerning the termination of the development agreement that occurred in October 2010. As proscribed in the agreement between the company and Union Investment Real Estate GmbH, disputes are governed under the UNCITRAL arbitration rules. RPP3, a subsidiary of the company received notice of the Arbitration in April 2011 and have taken the appropriate steps to enter fully into the arbitration procedure.

In terms of the development of its existing assets the company is examining the development and or sale possibilities for the land in Krakow as well as the development of commercial assets of the company (Katowice and Wroclaw) as well as the potential sale of the residential sites in Katowice and Wroclaw. No formal decision has been made to sell any site as the company is monitoring the individual markets closely. The markets have stabilized and more acquisition of development sites by investors are taking place, however sales prices in the residential sector are still low.

The result for the first quarter 2011 reflects the cost reduction program that is in progress and the high interest costs charges by the lending banks as a result of the company not meeting its obligations. As mentioned above the company is actively engaging the banks in order to reduce these excessive interest charges.

Investments

The company had no investments in the first quarter 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.

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
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 243 429 (29 898 953) Euro and the net result is -525 697 (2 503 674) Euro. Liquid assets amounts to 336 118 (9 419 582) Euro.

The equity ratio is 3.38% (28,47%). 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 77 745 Euro and net result for the period is 371 536 Euro. The profit comes from interest income.

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.

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

There is a risk in the situation that has occurred with Union Investment Real Estate Gmbh after the termination of the agreement in late October 2010. The mother company of the group has entered into a parent company guarantee which is limited to EUR 4 million. The group companies being parties to the terminated agreement, Reinhold Polska Project 3 and Reinhold Polska Project 5, may face substantial claims from Union Investment Real Estate Gmbh if no settlement can be reached. It is the management's opinion that the outcome of the arbitration proceeding mentioned in the comments above is unsure but that there are fair chances that the Reinhold Polska Group may be entitled to a compensation for damages from Union due to fact that the termination of the agreement was unjustified.

CONSOLIDATED INCOME STATEMENT

Amounts in Euro		Q1 JAN-MAR 2011	Q1 JAN-MAR 2010	JAN-DEC 2010
Net sales				
Net sales	1	243 429	29 898 953	31 199 169
Gross operating income		**243 429**	**29 898 953**	**31 199 169**
Cost of goods sold		-231 128		-45 581 538
Other external costs		-81 514	-29 253 913	-3 441 414
Personnel costs		-115 519	-129 746	-462 469
Depreciation and write-downs of tangible and intangible assets		-1 625	-3 708	-14 299
Operating income		**-186 357**	**-511 585**	**-19 300 551**
Financial items, net		-339 340	1 992 089	323 607
Income after financial items		**-525 697**	**2 503 674**	**-18 976 944**
Tax		0	0	0
Income for the period		**-525 697**	**2 503 674**	**-18 976 944**
Exchange differences on translation of foreign operations		353 711	-357 343	-345 186
Other comprehensive income		353 711	-357 343	-345 186
Total comprehensive income		**-171 986**	**2 146 331**	**-19 322 130**
Attributable to the equity holders of the parent company				
-Income for the period		-525 697	2 503 674	-18 976 944
-Other comprehensive income		-353 711	-357 343	-345 186
Average number of shares		7 000 000	7 000 000	7 000 000
Earnings per share		-0,08	0,36	-2,71

CONSOLIDATED BALANCE SHEET

Amounts in Euro		2011-03-31	2010-03-31	2010-12-31
Intangible assets		1 398	4 110	1 629
Tangible assets		11 039	27 072	14 284
Financial assets		0	693 559	0
Total fixed assets		**12 437**	**724 741**	**15 913**
Properties reported as current assets	2	24 302 819	35 250 392	24 225 109
Short term receivables		25 563 199	35 529 249	28 941 698
Cash and bank balances		336 118	9 419 582	648 639
Total current assets		**50 202 136**	**80 199 223**	**53 815 446**
TOTAL ASSETS		**50 214 573**	**80 923 964**	**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		-31 085 780	-9 445 334	-30 913 794
Total equity		**1 697 940**	**23 338 386**	**1 869 926**
Provision		**400 000**	**0**	**400 000**
Long term liabilities	3	**2 111 935**	**3 899 535**	**2 133 312**
Current liabilities		43 418 074	49 784 975	46 765 431
Accrued expenses and deferred income		2 586 623	3 901 067	2 662 690
Total current liabilities		**46 004 697**	**53 686 042**	**49 428 121**
TOTAL EQUITY AND LIABILITIES		**50 214 572**	**80 923 963**	**53 831 359**

Change in consolidated equity

Amounts in Euro	2011-03-31	2010-03-31	2010-12-31
Opening balance	1 869 926	21 192 055	21 192 055
Total comprehensive income for the period	-171 986	2 146 331	-19 322 130
Total transactions with equity holders	0	0	0
Closing balance	1 697 940	23 338 386	1 869 926

CONSOLIDATED CASH FLOW STATEMENT

Amounts in Euro		Q1 JAN-MAR 2011	Q1 JAN-MAR 2010	JAN-DEC 2010
Operating profit/loss		-186 357	511 585	-19 300 551
Adjustments for non-cash items		-94 609	-353 635	13 684 875
Interest received		20 308	179 309	1 052 526
Interest paid		-445 866	-48 004	-1 880 937
Income tax paid		0	0	0
Cash flow from operating activities before working capital changes		**-706 544**	**-289 255**	**-6 444 047**
Changes in properties reported as current assets		-60 080	21 279 452	19 034 159
Changes in receivables		575 606	-8 267 991	-1 383 269
Changes in liabilities	4	-1 970 232	-12 274 367	-16 532 289
Cash flow after working capital changes		**-2 161 250**	**1 026 349**	**-5 325 486**
Purchase of/changes in equipment and property		0	-401 660	-594
Cash flow after investing activities		**-2 161 250**	**624 689**	**-5 326 080**
Borrowings/repayment of debt	4	1 687 501	2 895 888	1 129 665
Cash flow for the period		**-473 749**	**3 520 577**	**-4 196 415**
Cash and cash equivalent at the beginning of the period		648 639	4 038 221	4 038 221
Exchange rate differences		161 227	1 860 784	806 833
Cash and cash equivalents at the end of the period		**336 118**	**9 419 582**	**648 639**

CONSOLIDATED KEY FIGURES

Amounts in Euro	Q1 2011 Jan-Mar	Q4 2010 Oct-Dec	Q3 2010 Jul-Sep	Q2 2010 Apr-Jun	Q1 2010 Jan-Mar	2009 Jan-Dec	2008 Jan-Dec	2007 Jan-Dec
Income statement								
Net sales	243 429	-12 975 474	1 379 852	12 895 838	29 898 953	2 436 731	405 871	89 117
Operating profit/loss	-186 357	-18 662 040	-4 052 154	2 902 058	551 585	-3 445 552	-2 095 766	-1 714 488
Net profit/loss for the period	-525 697	-19 677 533	-2 727 815	924 730	2 503 674	-2 847 354	-8 133 039	-593 863
Balance sheet								
Fixed assets	11 039	15 913	1 000 153	963 328	724 741	326 789	91 376	292 222
Current assets	50 202 136	53 815 446	79 610 254	78 350 084	80 199 223	87 829 323	69 379 568	70 230 835
Equity	1 697 940	1 869 926	21 723 645	24 748 772	23 338 386	21 192 055	24 191 493	31 977 287
Interest bearing liabilities	44 390 470	46 437 860	43 409 210	41 489 700	46 455 469	57 992 363	43 403 516	33 931 607
Non-interest bearing liabilities	4 126 162	5 423 573	13 689 451	13 074 940	4 591 373	7 968 047	1 875 936	4 508 218
Total assets	50 214 573	53 831 359	80 610 407	79 313 412	80 923 963	88 156 112	69 470 945	70 523 057
Financial ratios								
Equity/assets ratio. %	3.38%	3.47%	26.95%	31.2%	28,47%	24.04%	34,8%	45.3%
Debt/equity ratio	28.6	27.7	2.7	2.2	2.5	3.1	1.9	1.2
Profitability ratios								
Return on shareholder's equity. %	Neg.	Neg.	Neg.	3.7	10.7	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).

2011-03-31	Purchase price	Capitalized interest	Other costs	Total
All projects	**10 269 293**	**5 062 993**	**8 970 532**	**24 302 819**

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 Q1 2011, 280 355 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
Within 12 months	44 390 470 EUR
Total	**44 390 470 EUR**

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

The company auditors have not audited this report

Warsaw, 16 May 2011

THE BOARD OF DIRECTORS

If you have any questions, please contact:
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