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With post and email

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Distribution of Report over Special Examination

At the annual general meeting of the shareholders of Reinhold Polska AB (publ) (the "**Company**") on 29 June 2011, the shareholders appointed me as a special examiner (Sw. *särskild granskningsman*) of the Company. Following the resolution of the shareholders' meeting, the County Administrative Board of Stockholm (Sw. *Länsstyrelsen i Stockholms län*) on 22 July 2011 confirmed the appointment of me as special examiner. The decision was announced by the County Administrative Board of Stockholm on 18 August 2011.

I have now completed my report over the special examination (the "**Report**"), Appendix 1.

It is essential that the Report is duly distributed to the shareholders. Therefore, please revert to me no later than on 8 May 2013 with information as to how the Company will be distributing the Report to the shareholders and how and when it will be presented at a shareholders' meeting. I am concerned that the Company currently has no functioning board to handle the matter.

I also note that the submission of the Report means that my fees for the special examination are now due and payable. I will revert with the invoice for the examination and a separate specification shortly.

Kind regards,



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Enclosure

Report

concerning the

special examination

relating to

Reinhold Polska AB (publ)

by

Advokaten Marcus Johansson,

special examiner (Sw. *särskild granskningsman*)

Subject to the limitations described in Section 4

Gernandt & Danielsson

Table of contents

1	Summary of observations.....	3
2	The appointment	7
3	Definitions and persons.....	8
4	Conduct of the examination	11
5	The focus of the special examination.....	15
6	Background.....	18
7	Sequence of events.....	21
8	Evaluation of the cash security arrangement.....	40
9	Prohibited loans, illegal dividend etc.	43
10	Evaluation of possible kick back in the Reinhold Centre project	47
11	Evaluation of the organisation of the group	54
12	Evaluation of the reporting, in particular regarding cash flow.....	56
13	Q2 report 2010	66
14	Evaluation of the failure of the Lipinski project	75

Appendices

Appendix 1	Cash flow forecast
Appendix 2	First letter from Technico
Appendix 3	Second letter from Technico
Appendix 4	Invoices from Technico
Appendix 5	Q2 report
Appendix 6	CEO Instructions
Appendix 7	Rules of Procedure for the board of directors
Appendix 8	Email from Maciej Gotkiewicz to Gösta Gustafsson (including attachment)

1 Summary of observations

1.1 Negative carry?

It seems that the group unnecessarily incurred a cost (or the Company, stand alone, failed to obtain the equivalent yield on its cash) of several million SEK (tentatively assessed by KPMG to around SEK 10,000,000 based on certain assumptions) between the summer of 2008 until the end of the period covered by the examination. The cost is constituted by negative carry of interest on an arrangement where the Company from the summer of 2008 provided cash collateral in PLN for PLN loans extended by a bank to the Company's Polish subsidiaries. The interest on the deposit was lower than the interest on the loans. If the negative carry is proven to be this high, the board and the CEO may in theory be held liable for negligently allowing this arrangement to continue. However, the directors having been in office during the fiscal years 2008 and 2009 have all been granted discharge (Sw. *ansvarsfrihet*) for such periods by the shareholders. Hence, it is unlikely that any director can be held liable for any negative carry during such periods.

1.2 Prohibited loan

On 1 July 2008, on the instruction from the Company's CEO, Gösta Gustafsson, the Company made a transfer of SEK 3,000,000 to the sole proprietorship (Sw. *enskild firma*) Reinhold Gustafsson Byggnadsfirma. This transfer was most likely illegal and prohibited under Chapter 21 Section 1 of the Swedish Companies Act. The CEO may therefore be held criminally liable under Chapter 30 Section 1 of the Swedish Companies Act.

1.3 Kick-back in the Katowice project?

On the basis of the available documentation and information, Gösta Gustafsson's private company, Reinhold sp. z o.o., appears to have received payments from one of the sub-contractors to RPP 4, Technico, at the Katowice project. The circumstances suggest that no relevant services of comparable value were provided in consideration for such payment. Therefore, indirectly, the project came to be more expensive for RPP 4 than necessary.

If this is correct, the CEO of the Company, Gösta Gustafsson, may be guilty of a criminal offence, breach of faith committed by an agent against his principal (Sw. *trolöshet mot huvudman*) under Chapter 10, Section 5 of the Swedish Penal Code. I have not analysed whether the actions of Gösta Gustafsson either in his capacity as CEO of the

Company or as a director of RPP 4 would be a criminal offence under Polish law.

It is however doubtful whether the Company could successfully claim damages from Gösta Gustafsson in his capacity as CEO for these actions and any loss caused to the Company. More probably, albeit outside the scope of this report, *RPP 4* would be able to claim such damages.

In any event, Gösta Gustafsson, in his capacity as CEO of the Company did not fulfil his duties as CEO (including the adopted instructions for the CEO) as he failed to adequately report to the board the contemplated entry into of this contract between the company controlled by himself and the sub-contractor.

I criticise André Rosberg for intentionally failing to report the existence of the contract to the rest of the board once he received knowledge thereof.

I also criticise the board as a whole for assigning the task of investigating this matter to Gösta Gustafsson's lawyer, *jur. kand.* Peter Löhr, and for subsequently failing to take any further actions despite clear indications of wrongdoing. However, I have not found that these actions of the board caused a loss to the Company.

1.4 Q2 report 2010

I have found the Q2 report issued by the Company on 31 August 2010 misleading. The reason is that it failed to highlight serious liquidity problems facing the group, which in turn caused uncertainty as to the successful conclusion of the Lipinski project. This constitutes breach of the Swedish Annual Accounts Act (Sw. *Årsredovisningslagen*) and the Swedish Securities Market Act (Sw. *lagen om värdepappersmarknaden*) by the board and the CEO.

The failure to disclose the dire financial status of the group and the risks facing the group in the Q2 report was also capable of unduly misleading the market.

I have found that the CEO and André Rosberg must have known or should have known that the omitted information was capable of misleading the market and that they thereby acted negligently, if not with actual intent. In relation to the board members other than André Rosberg, *i.e.* Waldemar Tevnell, Anders Lettström, Stanislaw Dudzik and Torgny Krook, I have found that these board members were likely negligent in disseminating misleading information in the Q2 report and in any event

in failing to correct the information once they understood that it was misleading.

This would mean that both the CEO and the individual board members could be guilty of the criminal offence “market abuse” (Sw. *otillbörlig marknadspåverkan*) under the Swedish Market Abuse Penal Act.

It is furthermore possible, albeit uncertain, that the content of the Q2 report could classify as a misleading statement under Chapter 9 Section 9 second paragraph of the Swedish Penal Code (swindle; Sw. *svindleri*) such that Rosberg and Gustafsson, but not other board members, could be held criminally liable for swindle, having intentionally caused misleading information to be spread.

1.5 The Lipinski project

I have found that the Lipinski project became a failure through a combination of several factors.

- insufficient liquidity;
- lack of information from the CEO to the board concerning liquidity;
- lack of monitoring of the liquidity situation by the board;
- an inappropriate organisation of the group, both with respect to cash flow management reporting and with respect to the dependency on Gösta Gustafsson;
- lack of appropriate skills in management in Poland for running the project and handling the contacts with the customer, Union; and
- the sacking of parts of management.

However, although I have found that both the CEO and the board negligently failed in their duties, I have not been able to conclude that any of them thereby caused any loss to the Company that could otherwise have been avoided. On the other hand, this cannot be ruled out.

1.6 Organisation

In relation to organisation, I have criticised the board for failing to arrange an effective organisation of the group and allowing itself to be far too dependent on Gösta Gustafsson in his various capacities.

1.7 Reporting

In relation to reporting I have criticised the board for failing to secure an effective and trustworthy reporting system that would allow the board to

monitor liquidity in the group, despite recognised problems with financial reporting lasting several years. In particular, I have found that the board failed to live up to the more stringent monitoring standards that apply for a Swedish board at times of liquidity problems, particularly during the period June-October 2010.

I have also criticised the CEO for repeatedly failing to adhere to the board's express instructions as to reporting, for ostensibly screening information to the board and for failing to disclose actual liquidity problems, in particular in connection with the Q2 report 2010.

1.8 General

The overall impression from the examination is that until end of 2010, Gösta Gustafsson ran the group to a large extent as if he was its sole shareholder and omnipotent. The board of the Company allowed him to do so. It did not manage to exercise the control that a board is required to have over its CEO and over the business of the group in general. The board also allowed the group to be dependent on Gösta Gustafsson's ability to save the group from financial difficulties by drawing on support from companies related to him. Moreover, the trust in Gösta Gustafsson and his frequent – indisputably beneficial – actions in procuring necessary financing from related parties, meant that the board too readily looked the other way when Gustafsson failed to live up to his duties as CEO. More particularly, it meant that the board put its trust in Gustafsson to find the solutions to the group's financial difficulties in 2010.

Ultimately, when Gustafsson was no longer able, or willing, to procure further financial support himself or through related parties, the board had no effective contingency plan to implement. Consequently, the group defaulted its most important contract, the contract with Union for the development of the Lipinski properties.

2 The appointment

2.1 The appointment and the themes of examination

At the annual general meeting of the shareholders of Reinhold Polska AB (publ) (the "Company") on 29 June 2011, the shareholders appointed the undersigned, advokaten Marcus Johansson, of Gernandt & Danielsson Advokatbyrå KB, as a special examiner (Sw. *särskild granskningsman*) of the Company.

Following the resolution of the shareholders' meeting, the County Administrative Board of Stockholm (Sw. *Länsstyrelsen i Stockholms län*) on 22 July 2011 confirmed the appointment of me as special examiner. The decision was announced by the County Administrative Board of Stockholm on 18 August 2011.

The issues that the examination should cover were defined by the shareholders meeting and the County Administrative Board as follows:

- (A) The board of directors' and the CEO's management of the Company, and – by reason of the Company's position as a parent company – its subsidiaries, with particular focus on transactions between on the one hand the Company and its subsidiaries, and on the other hand the directors, the CEO and the shareholders, or parties related to any of them.
- (B) The board of directors' and the CEO's management of the subsidiary Reinhold Polska Project 3 sp. z o.o., in their capacity as board of directors and CEO for the indirect parent company of the subsidiary, with particular focus on actions and decisions – or the lack of such actions and decisions – relating to the property with the address Aleje Jerozolimskie 63 in Warsaw, the property development project "Lipinski Passage and Lipinski Centre" operated by the subsidiary at such address, the agreement between Union Investment Real Estate GmbH and companies within the Reinhold Polska-group, the termination of such agreement and the following legal actions relating to such termination, the property or the property development project.¹

¹ In-house translation.

3 Definitions and persons

<i>Alterco</i>	Alterco S.A. Polish investment company listed on the Warsaw Stock Exchange involved in the purchase and sale of Reinhold Group B.V.'s shares in Reinhold Polska AB etc.
<i>Anders Lettström</i>	Director of Reinhold Polska AB from 14 September 2006 to 7 March 2011 (Chairman from 14 September 2006 to 5 January 2010)
<i>André Rosberg</i>	Director of Reinhold Polska AB from 4 June 2009 to 4 July 2011
<i>Angela Shek</i>	Financial Controller and later Chief Financial Officer and Consolidated Accounts Officer of Reinhold Polska AB
<i>Company</i>	Reinhold Polska AB. The parent company in the Reinhold Polska-group; the object of the examination
<i>Cushman & Wakefield Polska sp. z o.o.</i>	Real estate brokerage firm assisting Reinhold Polska AB with the sale of the Lipinski-projects
<i>Ducorp</i>	Ducorp Capital B.V. Provider of corporate and administrative services, located in Holland
<i>E&Y</i>	Ernst & Young AB. The Company's registered auditor, with Mikael Ikonen as auditor in charge, for the period relevant for this report
<i>Gösta Gustafsson</i>	<i>Inter alia</i> , CEO of Reinhold Polska AB from 14 September 2006 to 8 February 2011, and director of Reinhold Polska AB from 14 September 2006 to 4 July 2011
<i>Helena Ehrenborg</i>	Minority shareholders' auditor in Reinhold Polska AB from 22 August 2011
<i>Jens Engwall</i>	Director of Reinhold Polska AB from 29 September 2006 to 8 June 2010
<i>Kirsten Felden</i>	Senior Investment Manager at Union Investment Real Estate GmbH
<i>Maciej Gotkiewicz</i>	CFO in Reinhold Polska AB's Polish subsidiaries from 1 January 2009 to 15 September 2010
<i>Michał Borowski</i>	Former city architect of Warsaw; COO in the Reinhold Polska-group from 5 January 2009 until April 2010
<i>Michel Fatehnia</i>	Associate of Gösta Gustafsson, employed in the Reinhold group (<i>i.e.</i> not the Reinhold Polska group)
<i>Mikael Ikonen</i>	Principally responsible auditor of Reinhold Polska AB from 14 September 2006 to 4 February 2013

<i>Mostostal</i>	Mostostal Warszawa S.A. The general contractor for the Reinhold Centre project
<i>Padraic Coll</i>	CEO of Reinhold Polska AB from 8 February 2011
<i>Pankowski</i>	Pankowski i Spolka s.c. Contractor for the Lipinski project
<i>Peter Löhr</i>	Lawyer (Sw. <i>jur. kand</i>) at Redwise Juridik AB; acted for the Company and for Gösta Gustafsson
<i>PKP Cargo</i>	PKP Cargo S.A. Polish company operating in domestic and international transport of goods by rail, and a tenant/buyer of the Reinhold Centre project
<i>Reinhold Group B.V.</i>	An investment company registered in the Netherlands, controlled by Gösta Gustafsson, which from 19 September 2006 until 8 August 2011 was the majority shareholder of the Company
<i>Reinhold Gustafsson Byggnads AB</i>	A company outside of the Reinhold Polska-group in which the sole board member for the periods relevant to this Report was Mr. Fe Santos
<i>Reinhold Gustafsson Byggnadsfirma</i>	A sole proprietorship (Sw. <i>enskild firma</i>) run by Gösta Gustafsson's father, Reinhold Gustafsson, with the object of managing and developing properties
<i>Reinhold Polska B.V.</i>	Wholly-owned subsidiary of Reinhold Polska AB and parent company to the Polish subsidiaries
<i>Reinhold sp. z o.o.</i>	A company outside of the Reinhold Polska-group which, according to oral information, was owned and controlled by Gösta Gustafsson during the periods relevant to this Report
<i>Robert Eichhorn</i>	Corporate service provider in Ducorp Capital B.V.; director of Reinhold Polska B.V.
<i>RPP 3</i>	Reinhold Polska Project 3 sp. z o.o. An indirect subsidiary to the Company, operator of the Lipinski project (later consolidated with the Lipinski Passage project)
<i>RPP 4</i>	Reinhold Polska Project 4 sp. z o.o. An indirect subsidiary to the Company, operator of the Reinhold Centre project
<i>RPP 5</i>	Reinhold Polska Project 5 sp. z o.o. An indirect subsidiary to the Company, operator of the Lipinski Passage-project (later consolidated with the Lipinski-project)
<i>RPS</i>	Reinhold Polska Services sp. z o.o. An indirect subsidiary to the Company, the purpose of which

	is to provide services to the Polish SPVs
<i>Rubicon</i>	Rubicon Partners NFI S.A. Polish company listed on the Warsaw Stock Exchange involved in the purchase of Reinhold Group B.V.'s shares in Reinhold Polska AB etc.
<i>Technico</i>	Technico Facility Engineering sp. z o.o. Subcontractor to Mostostal Warszawa S.A. in the Reinhold Centre project and general contractor for the fit-out process in the same project
<i>Torgny Krook</i>	Director of Reinhold Polska AB from 14 September 2006 to 13 April 2012
<i>Union</i>	Union Investment Real Estate GmbH. German real estate fund; purchaser of the Lipinski properties
<i>Waldemar Tevnell</i>	Director of Reinhold Polska AB from 4 June 2009 to 14 December 2012 (Chairman from 5 January 2010 up until his resignation)

4 Conduct of the examination

4.1 General

The special examination was performed by me, Marcus Johansson, with assistance from associate Richard Ramberg, also at Gernandt & Danielsson Advokatbyrå KB. The assistance of KPMG was retained for the examination of the cash security arrangement.

The examination has mainly been performed during the period of November 2011 – March 2012, for the reasons explained below.

The examination has included several meetings with previous and current representatives, and members of executive management, of the Company. I have collected and examined documentation which has been, or could have been, relevant to the examination based on the themes of examination mentioned above, including board minutes, copies of certain agreements, financial reports and certain emails.

Interviews have been held with, *inter alia*, the following persons:

- Michal Borowski;
- Padraic Coll;
- Helena Ehrenborg;
- Rob Eichhorn;
- Jens Engwall;
- Kirsten Felden;
- Maciej Gotkiewicz;
- Mikael Ikonen;
- Torgny Krook;
- Anders Lettström;
- Peter Löhr;
- André Rosberg;
- Dorota Sluzewska;
- Waldemar Tevnell.

I have also posed questions to Gösta Gustafsson. While there has been correspondence with his current lawyer, ultimately he did not provide any information.

4.2 The start of the examination

An examiner is entitled to security for payment of his fees from the company which is the subject of the examination.² Consequently, on 26 August 2011, I sent a letter to the board of directors of the Company requesting the Company to provide security for my future fee for examination not later than 2 September 2011. On 15 September 2011, I was informed by the Company's lawyer, Peter Löhr, that the Company would look into the matter. On 19 September 2011, I reiterated my request through a letter to Peter Löhr. On 10 October 2011, I once again requested the Company to provide security, this time through a letter to the Company's CEO Padraic Coll. Part of the requested security was then provided to me on 24 October 2011.

As is customary for special examinations, the actual examination started with requesting documentation from the Company. However, obtaining documentation from the Company proved difficult. There have been great time lapses between the requests for documentation and my ultimate receipt of such requested documentation despite repeated requests. This hampered my examination. Of particular interest when starting a special examination is normally the minutes from board meetings of the company subject to examination. Minutes from board meetings of the Company were requested by letter to Padraic Coll on 9 November 2011 (then again through emails to Marcin Rybarczyk on 9 December 2011, 15 December 2011, 19 December 2011, and through emails to Marcin Rybarczyk and Padraic Coll on 16 January 2012 and 18 January 2012). On 20 January 2012, I was informed that such minutes were not kept at the Company's office. On 23 January 2012 I was finally informed where they were kept.

The circumstances described above delayed the special examination. The special examination could only be started in a meaningful way in late November 2011.

I was also informed that the Company had no access to historical emails as these had allegedly been deleted in connection with a server change. Much of other requested documentation and information was also not provided. I have however received copies of correspondence from individual interviewees.

² See, *inter alios*, Lindskog, Stefan, *Särskild granskning enligt aktiebolagslagen*. 3 ed., p. 141 *et seq.*, Nerep & Samuelsson, *Aktiebolagslagen – en lagkommentar*, Del 1 – Kap 1-10, 2 ed., p. 799 and Andersson *et al*, *Aktiebolagslagen. En kommentar*, Del I, p. 10:36.

4.3 The Company's failure to provide security

During the winter of 2011-2012 I was in repeated contact with the Company, requesting the Company to provide such security for the examination fees as the company is obliged to provide. Following several letters and emails, I was informed on 22 March 2012 that a liquidity crisis had arisen in the Company. Shortly thereafter, I was informed that the Company allegedly lacked the means to provide any security.

In such a situation, an appointed special examiner does not have the right to terminate his assignment but should apply to the court to procure a court order compelling the company to provide security. I filed such an application on 23 April 2012, and the court invited the Company to respond to the application. However, despite repeated reminders from the court, the Company did not respond to the application and the court therefore issued a default judgment against the Company (Sw. *tredskodom*). However, the Company applied to get the default judgment revoked (Sw. *återvunnet*) which the court upon application must grant. This maneuver resulted in additional delay and the re-initiation of the court process. Following arguments from the Company to the effect that the examiner was not entitled to security, the court finally rendered a judgment against the Company on 23 January 2013.

However, in the meantime, several board members had resigned. When I applied to have the judgment enforced by the Swedish Debt Enforcement Agency (the "DEA"), the DEA was unable to serve (Sw. *delge*) the application on a representative of the Company since the Company had no authorised representatives resident in Sweden and due to a registration error at the Swedish Companies Registration Office (the "SCRO") did not even have a person authorised to receive service of process (in violation of the Swedish Companies Act).

4.4 Decision to nevertheless issue a report

In such situation, where the examiner does not receive security for his fees and it seems highly doubtful whether already accrued fees will ever be paid by the Company, the examiner is not required to continue the examination.³

Despite the Company's failure to provide security, the examination had made reasonable progress during November 2011 – March 2012.

³ Lindskog, Stefan, *Särskild granskning enligt aktiebolagslagen*. 3 ed., p. 143.

Moreover, the examination so far had unraveled circumstances that the shareholders and the Company certainly would have an interest in.

While an examiner is under no obligation to carry out further work if security for future fees are not provided by the subject of the examination, it is, from a general perspective extremely unfortunate if the shareholders would not be presented with at least the preliminary results of the examination.

4.5 Impact on this report – important *caveat*

Issuing a report based on facts that are not verified to the intended extent or intended degree of certainty is however not without difficulty. There is always a risk that there is relevant information or documentation, that has been unavailable to me or which I have not been given the opportunity to analyse in sufficient depth or by the aid of qualified experts. Such information could ultimately explain actions that, based on the available/analysed information, seem anomalous, negligent or worse. Such explanations may overturn certain reasoning and conclusions. This is particularly sensitive if the report contains severe criticism of the actions of specific, named individuals. Moreover, the depth of legal analyses will also be affected.

Nevertheless, while all these considerations are valid, I have, on balance decided that the shareholders interest in receiving the information should prevail. For the benefit of the shareholders I have therefore decided to present the results of the examination as they now stand with as little additional work as reasonably possible. On the other hand, this means that I have not been able to verify all facts here presented or take the analysis to such depth as I had anticipated.

In summary, it should be stressed that this report is based on incomplete documentation, that analyses have had to be simplified and that the facts have not been verified to the degree originally anticipated. The report should be read with this important *caveat* in mind.

5 The focus of the special examination

5.1 Issues

While the themes of examination direct me to pay particular attention to the Lipinski project and to related party transactions, they are wide enough to cover a large number of other issues related to the management by the board and CEO of the operations of the Company and, indirectly, of the group. During the examination, I have received pieces of information and suggestions to examine a large number of issues which various persons have described as anomalous. However, it falls upon the examiner to decide, acting reasonably, whether to bottom out each and every such suggestion. I have chosen to examine some, but certainly not all, such issues. In doing so, the guiding principle has been to investigate issues that I was specifically directed to examine (Lipinski and related party transactions) and those that are material and where it is reasonably likely that documentation and information can be obtained to reach some sort of conclusion at a cost that is not unreasonable. The Company's financial situation has also limited the scope of the examination into other issues.

The special examination has therefore been focused on the following issues:

- (a) The Company's security arrangement with Danske Bank involving the proceeds of the share issue in 2006.
- (b) Possible illegal loans, from the Company to the CEO and/or parties related to the CEO.
- (c) Related party-transactions in connection with project Reinhold Centre.
- (d) The organisation of the Company and the group.
- (e) Reporting of financial information to the board of the Company.
- (f) The fairness of the Q2-report of 2010 and how it was compiled and issued; and
- (g) Project Lipinski.

5.2 Entities subject to the examination; applicable laws

It is important for the reader to understand that the examination has been focused on the actions and inactions by *the board of the Company* and *the CEO of the Company*.

Certain of the events described below could potentially raise issues concerning the responsibility of directors in the Company's *subsidiaries* and of members of *management* in such subsidiaries. All such issues fall outside the scope of the examination. No work has been conducted to ascertain such responsibilities *per se*. In the case of Gösta Gustafsson, he has acted as owner of the Company, as CEO of the Company and as CEO and/or director of the Polish subsidiaries. The examination only covers his role as CEO of the Company although his actions in other capacities are discussed when relevant to the examination.

As will be evident from the report, the actions and inactions of the CEO and the board are sometimes such that they could only *indirectly* affect the Company. The immediate effects of many events would arise on the level of the Polish subsidiaries. Any statement herein to the effect that it is doubtful whether the *Company* has suffered a loss or whether there are sufficient causal links shall therefore not be interpreted as applying to, *e.g.*, a Polish subsidiary on an individual basis.

Finally, it should be stressed that the report concerns itself with the responsibility of the board and the CEO under *Swedish law*. Hence, I have not assessed whether the events described herein are in breach of, or could give rise to any liability under, *e.g.*, Polish laws and regulations (including the rules of the Warsaw Stock Exchange).

5.3 The completeness of the examination

As described above, the investigation has been severally hampered by the difficulty in obtaining documentation from the Company and obtaining it timely. For example, e-mail correspondence that could have been relevant has apparently been lost following a server change by the group. Board minutes are incomplete, sometimes not signed and often lack appendices, especially during 2010. Books and records from Reinhold Polska B.V. were deliberately withheld from me for several months by the director of Reinhold Polska B.V. because he had not received payment of his corporate service fees from the Company etc. Moreover, there has been a lack of focus from the current directors and management of the Company during the examination in relation to requests and questions from me.

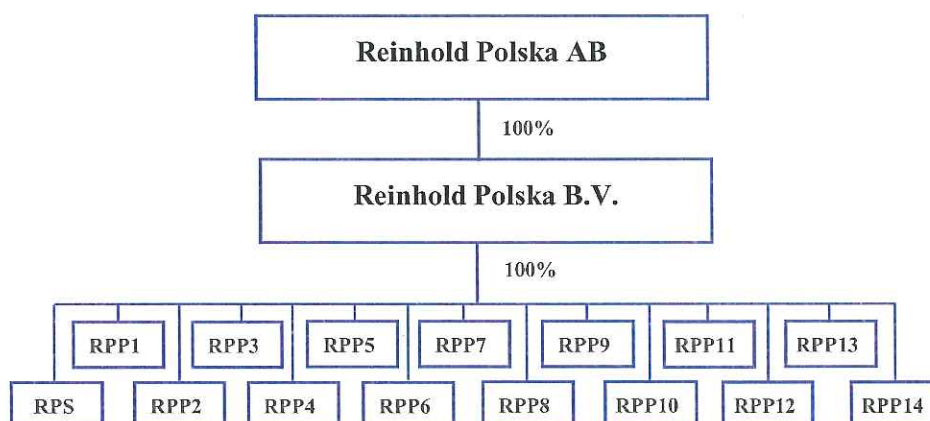
To a large extent therefore, this report is based on oral information received during interviews with directors, management, consultants and counterparties to the group that supplement the documentation received. While answers mostly correlate, they sometimes differ. In addition, allegations of wrongdoings have been frequent. Several interviewees and

persons connected to the group have blamed other interviewees or other persons for failures, in particular as regards the Lipinski project. In this report, where opinions have differed, my analysis is generally based on what I find to be the most probable factual situation based on the written documentation made available to me and the oral information. I have in several places tried to highlight how certain or uncertain a given conclusion may be.

6 Background

6.1 Group structure

The Company has as its object to, directly or indirectly, acquire, own and administer real properties and to conduct any other business compatible therewith. The group structure is set out below:



As can be seen from the structure above, Reinhold Polska AB (the Company) owns 100% of all shares and votes in Reinhold Polska B.V., a company with its registered office in the Netherlands (Wijnhaven 3B, 3011 WG Rotterdam, Holland).

Reinhold Polska B.V.'s scope of activity is holding and financing activities. Reinhold Polska B.V. owns 100% of all shares and votes in Reinhold Polska Services sp. z o.o. and in each of the project companies (Reinhold Polska Project 1-14 sp. z o.o.).

RPP 1-14 are all Polish project companies created for separate property development projects. RPP 11-14 have never conducted any business.

Reinhold Polska Services provides several types of services in for RPP 1-14 including advisory services, project and cost management services; construction management services, accounting, marketing services, transaction services and property management.

6.2 Other Reinhold companies outside of the group

There are also a number of other Reinhold-entities related to Reinhold Polska AB but outside of the Reinhold Polska-group, *inter alia*:

Reinhold Group B.V.

An investment company registered in the Netherlands, apparently owned and controlled by Gösta Gustafsson during the periods relevant to the examination. From 19 September 2006 until 8 August 2011, Gustafsson appears to have been the majority shareholder in the Company.

Reinhold sp. z o.o.

A Polish company operating in real estate, apparently owned and controlled by Gösta Gustafsson during the periods relevant to the examination.

Reinhold Gustafsson Byggnadsfirma

A sole proprietorship (Sw. *enskild firma*) run by Gösta Gustafsson's father, Reinhold Gustafsson, having as its purpose to manage and develop real estate.

Reinhold Gustafsson Byggnads AB

A Swedish limited liability company active in real estate. The sole board member in this company was during the periods relevant to the examination Fe Santos (Gösta Gustafsson's fiancée).

6.3 Organisation of the group companies over time

The subsidiaries that attract the greatest interest for the purpose of this report are RPP 3, RPP 5 and RPP 4. The first two companies owned, sold and developed the properties forming part of Project Lipinski and Project Lipinski Passage (together "Project Lipinski"). RPP 4 managed Project Reinhold Centre in Katowice.

On 7 February 2008, the board of RPP 4 and RPS consisted only of André Rosberg and Gösta Gustafsson, and the board of RPP 3 and RPP 5 consisted of André Rosberg and Piotr Jaskowski.

In July 2008, Gösta Gustafsson joined the board of RPP 3 and RPP 5 as well.

However, from December-January 2008/2009, Gösta Gustafsson was the sole board member in each of RPP 3, RPP 4 and RPP 5, and remained so until he left the group in February 2011 (although he remained board member in RPP 4 until 12 April 2011).

At times the boards of RPP 3, RPP 4 and RPP 5 issued powers of attorney to management in the Polish companies. For the period crucial to the cooperation with Union (see below), *i.e.*, May 2010 to October 2010,

there were no power of attorneys issued at all by RPP 3 and RPP 5. Only Gösta Gustafsson could formally represent RPP 3 and RPP 5 (and RPP 4 as well) during that period.

The Company, Reinhold Polska B.V. and the Polish companies had bank accounts. The bank accounts in the Company and Reinhold Polska B.V. were solely operated by Gösta Gustafsson through Angela Shek and Rob Eichhorn (corporate service provider and director of Reinhold Polska B.V.). Management of the Polish companies had access only to the Polish bank accounts.

7 Sequence of events

7.1 Important events during 2006

The Company was founded in the summer of 2006 and started to conduct business in October 2006. Anders Lettström, Gösta Gustafsson, Hans Håkansson and Torgny Krook became directors of the Company.⁴ In October 2006, the Company made an IPO and raised approximately SEK 300,000,000.

7.2 Important events during 2007

7.2.1 Acquisitions

Most of the capital raised in 2006 was used for acquiring 10 project properties in 2007 (*inter alia*, Reinhold Lipinski, Reinhold Lipinski Passage and Reinhold Centre). The acquisitions were financed partly by equity in the Company and partly by loans extended by banks active in Poland.

7.2.2 Funding and security

The Company funded the Polish subsidiaries with equity in the following manner. Danske Bank granted loans to the Polish subsidiaries in PLN. As security for the PLN loans, the Company deposited SEK into a bank account at Danske Bank which was pledged as security for the PLN loans. The SEK deposits had to cover at least 110% of the PLN loans calculated from time to time according to the current exchange rate. If the cover fell below 106%, the Company had to increase the cash cover up to 110% within three business days. If, at any time, the value of the cash collateral fell below 104%, Danske Bank had the right to convert the SEK into PLN and cause the PLN loan to be repaid out of the PLN deposit.

7.2.3 Miscellaneous

In 2007, construction work was started at two of the acquired properties – one of them being Reinhold Centre.

On 13 December 2007, the Company's B share was listed on the Warsaw Stock Exchange. The A shares were held by Gösta Gustafsson through Reinhold Group B.V. Gustafsson indirectly controlled 59.6% of the votes in the Company.

⁴ Notice of change was received by the SCRO on 14 September 2006.

7.3 Important events during 2008

7.3.1 General

In accordance with a decision by an extraordinary shareholders' meeting on 30 August 2007, the Company changed its accounting currency from SEK to EUR. The change was registered by the SCRO on 3 January 2008.

7.3.2 Gösta Gustafsson announces that he wants to resign as CEO

At a board meeting on 3 June 2008, Gösta Gustafsson announced to the board that he wanted to reduce his work level from 80% to 50%. Four months later, on 13 October 2008, Gösta Gustafsson announced that he wanted to resign from his position as CEO at year end, but remain as member of the board. At this board meeting, Gösta Gustafsson also expressed that he wanted Michal Borowski to succeed him in the position as CEO of the Company. Michal Borowski had from time to time been a consultant for the Company, but had previously up until then been restricted from formally working as CEO of the Company due to his position as city architect in Warsaw.

Gösta Gustafsson's announcement at this board meeting did, however, not lead to any formal changes. Gösta Gustafsson remained CEO of the Company until 8 February 2011. However, it is apparent that his involvement decreased significantly.

7.3.3 The progress of projects

On 17 December 2008, RPP 4 signed a general construction contract with Mostostal Warszawa S.A. ("Mostostal") for the Reinhold Centre project in Katowice. The price for the construction was fixed at PLN 43,000,000.

On the same day, Mostostal made a subcontractor agreement with Technico. Moreover, on the same day, Technico appears to have concluded a contract with Reinhold sp. z o.o., a company controlled by Gösta Gustafsson for consultation services (see Section 10 below).

7.4 Important events during 2009

7.4.1 General

On 5 January 2009, Michal Borowski was formally engaged as Chief Operating Officer.

7.4.2 The progress of projects

On 6 January 2009, RPP 3 engaged Pankowski as general contractor for the Reinhold Lipinski project.

On 1 December 2009, Pankowski was also engaged by RPP 5 as general contractor for the Reinhold Lipinski Passage project.

7.5 Important events during 2010

7.5.1 Forward funding contracts with Union – March 2010

In March 2010, RPP 3 and RPP 5 entered into two agreements with Union Investment Fund GmbH. The first was a Property Sale Agreement, through which Union purchased the two Lipinski properties and the second was a Property Development Agreement (the “PDA”) through which Reinhold was engaged by Union to, *inter alia*, complete the required construction works and let out the properties to tenants on behalf of Union.

The initial purchase price for the properties under the Property Sale Agreement was EUR 19.5 million. Under the PDA, RPP 3 and RPP 5 was entitled to receive a further EUR 4.45 million for Lipinski Centre and EUR 4.45 million for Lipinski Passage (less interest on the forward funding) to be paid in instalments and subject to fulfilment of certain construction milestones. The sums were scheduled to be paid out in nine monthly instalments from March to November 2010.

Following completion, RPP 3 and RPP 5 could also become entitled to “top ups” if they were able to let out the properties to 85, 95 or 100% during the 36 month lease up period, in which case RPP 3 and RPP 5 would receive a minimum aggregate amount for the two properties of approximately EUR 2 million. Completion was scheduled for 15 December 2010.

The contract further provided that RPP 3 and RPP 5 should punctually pay all amounts due to its contractors and should inform Union of any events which could cause delay. It also provided that if RPP 3 and RPP 5 failed to pay their contractors, Union was entitled to withhold an amount corresponding to RPP 3 and RPP 5’s delayed payments. Thus, Union’s payments upon construction milestones were *contingent* upon RPP 3 and RPP 5 paying the contractors who were required to fulfil the milestones. Union’s milestone payments could not fund the payment of such contractors.

Finally, the PDA contained termination provisions. A non-defaulting party was able to terminate the contract if the other party had not remedied a breach within 30 business days from receipt of notice of breach. In addition, a party had the right to terminate the contract if the counterparty became “Insolvent”. In such case, no remedy period applied.

Under the definition of “Insolvency” in the PDA, a person is insolvent when “it ceases to be able to pay its debts as they fall due or its assets are not sufficient to pay its debts”.⁵ It is important to note that the contractual definition of “Insolvency” differed from the Swedish law definition of insolvency (Sw. *obestånd*) insofar as an inability to pay debts as they fall due needed not be continuing for a specific time (which such inability must be under Swedish law) to constitute “Insolvency”. Therefore, even a temporary inability to pay could result in termination of the PDA.

7.5.2 *First payments under the forward funding contract – March and April 2010*

Following the conclusion of the forward funding contract, Union made payments under the contract at the end of March 2010. The remaining cash that resulted from Union’s payments, PLN 4.6 million, were then transferred by RPP 3 and RPP 5 at Gösta Gustafsson’s instruction to Reinhold Polska B.V. on 30 March 2010. Thereby, Reinhold Polska B.V. came to be indebted to RPP 3 and RPP 5. Funds were then on a case by case basis transferred from Reinhold Polska B.V. back to RPP 3 and RPP 5 when these companies had to pay their expenses. However, money was also transferred to RPP 4 and RPP 6 for these companies to be able to pay their expenses.

This “drip feeding” of the Polish companies continued until July 2010 when Reinhold Polska B.V. basically ran out of funds.

7.5.3 *Contract with PKP Cargo for Reinhold Centre in Katowice – 25 March 2010*

On 25 March 2010, RPP 4 signed a major lease agreement for 5,800 sq. meters with PKP Cargo regarding Reinhold Centre.

⁵ It should be stressed that the definition is not autonomous but states that “insolvency” shall be interpreted in accordance with “Polish Bankruptcy Law dated 28 February 2003”. In the following I will however discuss on the basis of the normal interpretation of “ceases to be able to pay its debts as they fall due or its assets are not sufficient to pay its debts” as there is no reason to believe that Polish law would understand these concepts significantly differently from how they are normally understood in a contractual context.

7.5.4 *Second payment under the forward funding contract – April 2010*

Union made further payments under the PDA at the end of April. The cash, PLN 3.6 million, that resulted from Union's payments were then once again transferred by RPP 3 and RPP 5 at Gösta Gustafsson's instruction to Reinhold Polska B.V. on 26 April 2010.

7.5.5 *Payments to Reinhold Group B.V. – 27 April 2010*

On 27 April 2010 – the day after Reinhold Polska B.V. had received RPP 3's and RPP 5's funds emanating from Union's payment – Reinhold Polska B.V. made a transfer of PLN 1,650,000 (EUR 439,000) to Reinhold Group B.V.

The effect of this transfer was that Reinhold Group B.V. came to owe Reinhold Polska B.V. a net amount roughly corresponding to the amount transferred. Moreover, the April transfer reduced the available cash of the group by approximately PLN 1,650,000.

7.5.6 *Contract with Technico for fit out of Katowice – May 2010*

On 4 May 2010, RPP 4 entered into an agreement with Technico regarding the Reinhold Centre project. The agreement stipulated that Technico was to be the general contractor for the fit-out required for PKP Cargo.

7.5.7 *Further transfers*

In May, Union made further payments under the forward funding contract and RPP 3 and RPP 5 transferred some PLN 2.6 million resulting therefrom to Reinhold Polska B.V. on 5 May 2010.

7.5.8 *Board meeting on 7 May 2010*

On a board meeting at the Company's offices in Stockholm on 7 May 2010, it was reported that the cooperation with Union went according to plan and that Union had paid their monthly instalments as scheduled.

7.5.9 *Flooding at Lipinski – end of May 2010*

At the end of May 2010, there were heavy rainfalls in Poland which lead to a flooding of the basement of the Lipinski-project and damaged a bearing wall in the courtyard of the Passage building. This was allegedly the main reason for a delay in construction of approximately two weeks.

7.5.10 *Cash position in Reinhold Polska B.V by 24 June 2010*

During May and June 2010, around EUR 1,260,000 were transferred from Reinhold Polska B.V. to RPP 3-6 and RPPS in order for them to pay

their expenses. By 24 June 2010, the balance at Reinhold Polska B.V.'s bank accounts was down to approximately EUR 200,000.

7.5.11 Board meeting on 29 June 2010

On 29 June 2010, the board of directors of the Company met in Warsaw. At this meeting, the CEO presented a simplified liquidity report over the Polish companies showing the cash available for the Polish companies as well as the forecasted cash position over the coming months, Appendix 1. The liquidity report showed that the Polish companies would have an aggregate shortage of cash in July and August amounting to approximately PLN 2,500,000.

The report showed that the liquidity position would improve significantly by the end of September due to an expected payment of some PLN 15,000,000 from Union. It also showed that RPP 4 and RPS, stand alone, would have a continuing cash flow deficit which could only be bridged by support from RPP 3 and RPP 5, *i.e.* by utilisation of the Union payment in September 2010.

The minutes do not record any discussion as to how the cash flow gap should be bridged. Nor are there any indications that information was given regarding the cash available at the Reinhold Polska B.V. or Company level. For this reason, the board instructed the CEO to supplement subsequent liquidity reports with information from the Company and Reinhold Polska B.V. so that the reports would give a more comprehensive statement of the group's liquidity position.

The liquidity report did, however, not result in any specific actions or instructions from the board over and above this.

The report clearly showed that the Union payment in September 2010 was crucial for Polish companies. RPP 3, RPP 4, RPP 5 and RPS would be insolvent if the Union payment would not be received in time – even if the July and August liquidity gap in the Polish companies could somehow be bridged. The single most important cash flow item by a large distance was therefore the September 2010 Union payment. However, there appears to have been no discussion regarding the risk that this payment would not be received or received at the time anticipated.

At the same board meeting, it was reported that the heavy rainfall mentioned above, and the flooding which was a consequence thereof, was a *force majeure* event which would excuse the delay caused thereby and that Union had agreed to treat the flooding as *force majeure*. This statement appears to have been factually incorrect and nothing in the

correspondence with Union supports it. Rather, according to a letter from Union dated 27 September 2010, it appears that Union never agreed to treat the rainfall as a *force majeure* event. Objectively, under the terms of the PDA, the rainfall was most probably *not* a *force majeure* event (since heavy rainfall is something a contractor must take into account and can take precautions against).

The board scheduled the next board meeting to 28 August 2010.

7.5.12 *Contractors are not paid – July 2010*

In the middle of July 2010, it appears that RPP 3, RPP 4 and RPP 5 had major problems paying its contractors.

Information from, primarily, Maciej Gotkiewicz, André Rosberg and Michal Borowski as corroborated by emails on file show that the Polish companies were constantly late in paying for contractual services from counterparties during summer of 2010. As described above, Reinhold Gustafsson Byggnadsfirma owed Reinhold Polska B.V. a sum of approximately EUR 400,000 by mid July 2010. From the correspondence I have seen, it seems as if Maciej Gotkiewicz and André Rosberg rather desperately tried to get the money back from Reinhold Polska B.V. and ultimately Reinhold Gustafsson Byggnadsfirma and then paid out to the Polish companies.

In particular, RPP 3 and RPP 5 failed to timely pay its general contractor at Lipinski, Pankowski, and RPP 4 failed to timely pay the contractor responsible for fit out works at Reinhold Centre, Technico.

7.5.13 *Loan from Reinhold Gustafsson Byggnads AB – 19 July 2010*

As a consequence of the general liquidity situation and the injunction, the Polish companies lacked funds to pay contractors. Therefore, Gösta Gustafsson procured a loan from Reinhold Gustafsson Byggnads AB to the Company of SEK 3,000,000 on 19 July 2010. The funds were subsequently used by the Polish companies to pay their contractors.

7.5.14 *Letters from Technico – 23 July 2010*

Technico simultaneously took actions to procure payment of the amount owed by RPP 4 to Technico, in total PLN 4.5 million. On 23 July 2010, two letters were sent by Technico to Gösta Gustafsson.

The *first* letter, Appendix 2, was addressed solely to Gösta Gustafsson. In the letter, Technico informed that they had performed all their duties under the fit-out agreement entered into with RPP 4 on 4 May 2010, but still had not been paid by the payment deadline on 21 July 2010 and had

not received any information from RPP 4 as to when such payments could be made. Technico noted that RPP 4's handover to PKP Cargo was due on 27 July 2010 and stated that Technico would not allow it unless they were paid no later than 26 July 2010. Moreover, they threatened with court actions and to use "public relations".

The *second* letter, Appendix 3, was – on its face – addressed to Gösta Gustafsson with copies to all board members of the Company. From my understanding, the second letter was in actual fact never sent to anyone other than Gösta Gustafsson. In the second letter, Technico informs of the same issues as in the first letter, and in addition, Technico recalls agreements which Technico had made with Gösta Gustafsson's private companies, Reinhold Lifestyle Warsaw, Reinhold Lifestyle Wrocław, Reinhold Lifestyle Gliwice and Reinhold Medical Centre Wrocław. In bold text, the letter states that:

"All above Live Style Project end up not successfully for us with debt on the level of PLN 897 009. Formally we resigned from this and we officially reduced our invoicing to PLN 0. Medical Centre in Wrocław and Reinhold office building D w Katowice was reduced in half, to the level of PLN 100 000 (Still not paid)."

The letter goes on to state the following:

"During the main construction with Mostostal we had a consultations contract with one of your companies (Rainhold Sp. zo. O.) for the value of 4 183 000 net. All paid on time..."

At the same time, Technico sent over copies of invoices addressed from Reinhold sp. z o.o. to Technico concerning the consultation contract. These invoices, Appendix 4, refer to a contract entered into between the parties on 17 December 2008 and relate to advances under such contract amounting to (excluding VAT) PLN 80,000 on 11 May 2009, PLN 300,000 on 1 July 2009, PLN 400,000 on 31 July 2009, PLN 600,000 and PLN 500,000 (two invoices) on 30 September 2009, PLN 500,000 on 21 December 2009 and, lastly, PLN 500,000 (with the stated value of works for such invoice being PLN 1,500,000 and the stated reduction due to pre-payment being PLN 1,000,000) on 31 December 2009. I have asked Gösta Gustafsson for the consultation contract but have not received it. He has also refrained from answering questions relating to this matter.

According to the board members of the Company and the board minutes, the existence and contents of these letters were never reported by Gösta Gustafsson to the board of the Company. Apparently, however, he disclosed these letters to one of the directors, André Rosberg, who

consequently was the only director who had knowledge of both the letters and the invoices.

7.5.15 *Payment to Technico*

On or about 5 August 2010, Reinhold Group B.V. paid Technico PLN 2.8 million directly. This transfer was subsequently apparently classified as a loan from Reinhold Group B.V. to Reinhold Polska B.V., a loan from Reinhold Polska B.V. to RPP 4 and payment by RPP 4 of part of its debt to Technico.

7.5.16 *Judgement against RPP 3 – 17 August 2010*

On 17 August 2010, a court bailiff froze bank accounts of RPP 3 to secure a judgment debt of PLN 2,073,398.42 (plus enforcement proceedings costs of PLN 27,234). The background to this was that the real estate brokerage firm Cushman & Wakefield Polska on 30 June 2010 had filed suit against RPP 3 and demanded payment of unpaid commission fees. A judgment in favour of Cushman & Wakefield Polska was rendered by the Polish court on 12 August 2010.

On 19 August 2010, RPP 3 received the judgment and the injunction from the court. The matter was on the agenda at the Company's board meeting on 27 August 2010. The injunction placed further strain on an already weak liquidity position.

7.5.17 *Negotiations for the sale of Gösta Gustafsson's shares – July-September 2010*

During July-September 2010 Gösta Gustafsson was in negotiations for the sale of his shareholding in the Company. At first, the negotiations appear to have been with Michal Borowski.

7.5.18 *Telephone calls between Ernst & Young and Gösta Gustafsson prior to launch of Q2 report – August 2010*

Prior to the launch of the Q2 report, the Company's auditors, Ernst & Young, called Gösta Gustafsson to discuss the situation in the group. According to Ernst & Young's notes, Gustafsson reported no immediate problems for the group companies.

7.5.19 *Board meeting 27 August 2010*

A board meeting was held on Friday 27 August 2010 at the Company's offices in Warsaw. Torgny Krook and André Rosberg were absent from this meeting. The CFO of the Polish companies (Maciej Gotkiewicz) was not present.

The main purpose of the meeting was to agree the Q2 report. However, no Q2 report was presented. Nor was any liquidity report presented. In the draft minutes from the meeting (no verified minutes appear to exist), the CEO (Gösta Gustafsson) is reported to have stated that the liquidity was good in the long term but strained (Sw. "*ansträngd*") in the short term. In actual fact, and as corroborated by several interviewees, including Rosberg, Gotkiewicz and Borowski, and by the documentation reviewed, the situation for the Polish companies was so serious that they were not able to pay their debts as they fell due. According to the above mentioned interviewees, the CEO was well aware that the liquidity position was extremely critical. Both Maciej Gotkiewicz and André Rosberg stated that they individually had conversations with Gösta Gustafsson regarding the insufficient liquidity.⁶

All directors of the Company at that time which I have interviewed, other than Rosberg, *i.e.*, Anders Lettström, Torgny Krook and Waldemar Tevnell, unanimously state that they were not given the impression that the liquidity position was so serious that the Polish subsidiaries were unable to pay their debts as they fell due. Rosberg – who did not attend the meeting – agrees that this was the picture conveyed by the CEO to the board at large. He has however added that he had private knowledge about the true state of affairs.

At the meeting, the CEO promised to have the draft Q2-report distributed to the board in the beginning of the following week, *i.e.*, the week starting 30 August 2010. Should no objections be raised, the report would be approved by a *per capsulam* board meeting.

No such *per capsulam* board meeting was, as far as the Company's documentation show, held before the release of the report on 31 August 2010. However, it appears from secondary sources that the draft Q2 report was circulated by email among the board members on 30 August 2010. According to Maciej Gotkiewicz, he discussed the Q2 report with the CEO and raised the issue of the Union transaction, notably, whether it was correct to record future, projected, revenues in the Q2 profit and loss statement at all or in the present circumstances.

The Q2 report, Appendix 5, stated, *inter alia*:

⁶ This is reflected in an email from Maciej Gotkiewicz to Gösta Gustafsson sent on 5 September 2010, where he refers to a meeting with the CEO the week before such email, to the same effect.

“The improved credit situation has improved our ability to finance the projects and we have also, as the financial statements show, been able to repay some of our debt.

It is mine and the boards firm belief that we have the worst times behind us and the profits in front of us[.]”

7.5.20 *Reinhold Gustafsson pays Technico – 1 September 2010*

Apparently, on 1 September 2010, Gösta Gustafsson procured payment of one of Technico’s invoices by causing his father, Reinhold Gustafsson, to pay a sum of SEK 1,657,780 directly to Technico. This was then at some time documented as a loan from Reinhold Gustafsson to the Company. However, this was not enough to overcome the liquidity crisis.

7.5.21 *The CFO of the Polish companies report a liquidity crisis – 5 September 2010*

On 5 September 2010, the Company’s CFO Maciej Gotkiewicz sent an email to Gösta Gustafsson where he expressed that he was very concerned about the Company’s financial position. In this email, Maciej Gotkiewicz wrote:

“Last week we had a meeting regarding our financial and liquidity situation. I stressed that according to cash flow that I prepared and presented to you (attached once again), Reinhold Polska requires immediate cash injection and decisiveness of the management in order to be able to proceed with its current operations, keep its liquidity and avoiding bankruptcy.”

“Worst case scenario is PLN 7,2m within next 4 weeks, PLN 4,2 m within next 2 weeks.”

When Gösta Gustafsson did not respond, Maciej Gotkiewicz informed the rest of the board. Three days later, on 8 September 2010, Maciej Gotkiewicz therefore sent an email to Waldemar Tevnell, Torgny Krook, Stanislaw Dudzik and André Rosberg⁷ where he attached the email sent to Gösta Gustafsson on 5 September 2010, and once again declared that there was a desperate need for cash.

Less than two hours after Maciej Gotkiewicz’s email, Torgny Krook responded that it might even be necessary to stop trading the stock on the Warsaw Stock Exchange. Waldemar Tevnell responded shortly thereafter that the board should wait and see if Gösta Gustafsson could solve the liquidity situation, and referred to the fact that Gösta Gustafsson had previously solved similar situations with private means.

⁷ Anders Lettström was informed via email a couple of hours later the same day.

Despite the reactions from the board, these discussions did not result in any information being provided to the general public.

7.5.22 *Board meeting on 15 September 2010*

A board meeting was subsequently held in Gösta Gustafsson's apartment in Warsaw on 15 September 2010. André Rosberg was absent.

At this meeting, the CEO informed the board that his company, Reinhold Group B.V., was negotiating to sell its shares in the Company and that he was consequently nearing an exit from his position as indirect majority shareholder. It appears that Gösta Gustafsson, represented by Peter Löhr, had negotiated with Michał Borowski until sometime around 8-15 September 2010 at which time negotiations had broken down and Gösta Gustafsson/Reinhold Group had signed a Memorandum of Understanding with another potential purchaser.

During the negotiations between Borowski and Gustafsson, it appears that Borowski received information concerning the Company from management. As a consequence, on 15 September 2010, the board, on Gösta Gustafsson's suggestion, decided to terminate the employment of the CFO in Poland Maciej Gotkiewicz, in-house counsel Agnieszka Stopczynska and Investment Manager Piotr Jaskowski with immediate effect. Consequently, the group lost three important members of management on the same day. Moreover, Michał Borowski's engagement in the group was restricted.

Many interviewees claim that a consequence of these actions was that one or more of these four individuals informed Union of the state of the group and its serious liquidity shortage. This could be correct. The documentation does not show that Union had voiced any major concerns about the progress of the project prior to mid-September.⁸ But from then on Union started to voice serious concerns and stopped payment. It is also clear that Gotkiewicz, Jaskowski and Borowski were subsequently engaged by Union to help Union finish the projects once Union had terminated the PDA. It is however equally plausible that Union received information (also) from Pankowski. In any event, on 28 September 2010, Pankowski informed Union directly that it had not been paid by RPP 3 and RPP 5.

⁸ On the other hand, there were indications that RPP 3 and RPP 5 also failed to repay some smaller sums due to be refunded to Union and stated in an email of 22 August 2010 that all funds had been pushed into the construction works. Therefore, RPP 3 and RPP 5 could only pay Union with funds to be subsequently received from Union itself. Also, confirmations from, e.g., the general contractor, Pankowski, that they had been paid were not forthcoming.

The CEO also informed that someone had informed Öhman Fondkommission that Gösta Gustafsson had received undue benefits to the detriment of the other shareholders. According to the minutes, this allegation was rejected by both Gösta Gustafsson and Peter Löhr. The board then instructed the CEO to inform Öhman in writing concerning the “the transaction between the majority owner on one hand and a supplier of the company on the other hand”.

The CEO also reported that the liquidity was very strained in the short-term, but good in the long term. The Company’s board instructed the CEO to, *inter alia*, present a report during the following week explaining why the urgent need for liquidity was not known when the Q2-report was submitted to the Warsaw Stock Exchange, and to present a detailed account of the Company’s liquidity situation. The board assigned the first task to Peter Löhr. As far as the documentation shows, no such report was ever drafted.

At the same board meeting, the board “decided to take a loan from Noble Bank” (a bank primarily focusing on private banking) amounting to PLN 3 million. However, at this time there was no commitment from Noble Bank to grant the loan or even credit committee approval. Rather, the Company group and Noble Bank were still in negotiations. There were also discussions regarding the possibility of mandating Noble Bank to arrange the issue of a bond.

At such negotiations, primarily on 27 September 2010, the parties, Waldemar Tevnell on behalf of the group and Michal Zabczynski on behalf of Noble Bank primarily reached a preliminary agreement through which the Company would issue bonds to the bank worth approximately PLN 10 million provided that the bank received security by real estate mortgages in the Company’s properties. As at the end of September, Waldemar Tevnell estimated that, if all went well, the money could arrive early November. Thus it appears clear that in August/September any funding from/via Noble was uncertain and could not be expected until November – in a best case scenario.

Ultimately, no such bonds were issued. It appears that the immediate reason was that there was no mortgage security available to provide. In fact, in a letter to Union dated 14 October 2010 and signed by André Rosberg, it was stated that RPP 5 would apply for bridge financing from its bank secured by a pledge over RPP 3’s and RPP 5’s *rights to payment from Union*. This indicates that, at least by this time, it had become clear that mortgage security was unavailable.

7.5.23 *The Company borrows PLN 4,000,000 from Reinhold Group B.V. – around 15 September 2010*

As a consequence of the liquidity problems, the Company borrowed PLN 4,000,000 from Reinhold Group on 15 September 2010. The funds were ultimately provided by the intended purchaser of Gustafsson's (or, rather, Reinhold Group's) shares, Rubicon. Rubicon lent the PLN 4,000,000 to Reinhold Group against security in the shares held by Reinhold Group in the Company and Reinhold Group then on-lent these funds to the Company. It seems that the new funds would only ensure continued operations for a short while and was no permanent solution to the liquidity problem. This was reflected in continued delays in paying the contractors of RPP 3 and RPP 5. Since no further funds were arranged by Gustafsson prior to Union's termination it seems reasonably that there was *either* a lack of ability or a lack of will to provide further funding from Gustafsson's side.

7.5.24 *Union serves notice of default 27 September 2010*

On 27 September 2010, Union sent a letter to RPP 3 and RPP 5 with the heading "Imminent danger / defaults in Lipinski project". In the letter, a number of issues were listed. The issues mentioned in Union's letter can be summarised as follows:

- (i) delays in the construction of both Project Lipinski and Project Lipinski Passage,
- (ii) failure to pay the general contractor and other contractors,
- (iii) defects in the construction performed,
- (iv) failure to provide Union with a revised payment schedule with a new timing and actual value of the works,
- (v) failure to achieve, or at least failure to inform Union of the achievement of, the required levels of leasing, and
- (vi) failure to provide the projects with sufficient design coordination.

Union requested a written statement on all issues mentioned in the letter by 1 October 2010. Union also requested proof that all contractors had been duly paid. According to Union, the circumstances described constituted defaults that had to be remedied within 30 business days. The implicit threat was that Union could terminate the PDA if the defaults were not remedied.

7.5.25 Correspondence with Union and Pankowski – September - October 2010

On 28 September 2010, Pankowski, the general contractor of the two Lipinski projects, sent a letter to Union threatening to stop all works on the Lipinski-projects on 4 October 2010, unless its outstanding invoices were paid.

On 29 September 2010, Pankowski and RPP 3 signed an annex to the construction contract in respect of payments that were overdue.⁹ Under the annex, Pankowski would receive a payment of PLN 2,500,000 on 1 October 2010 and a further payment of PLN 2,700,000 on 15 October 2010.

On 1 October 2010, RPP 3 and RPP 5, through André Rosberg, responded to Union's letter. Attached to the letter was a confirmation of payment of PLN 2,500,000 to Pankowski. In the letter, RPP 3 and RPP 5 stated that the general contractor's outstanding invoices had now been paid in accordance with an annex to the contract with the general contractor signed on 29 September 2010. Factually, this statement was incorrect because there were other invoices from Pankowski that were not covered by the agreement in the annex (*viz.* no. 4/IX/2010 and 14/VIII/2010) that were overdue.

On 8 October 2010, Union sent an email to André Rosberg with a list of outstanding issues which, in Union's opinion, showed that RPP 3 and RPP 5 were still in default. Union continued to voice concerns over the development of the Lipinski projects. André Rosberg reverted on this list of questions the same day.

On 12 October 2010, Union sent yet another letter and repeated that there were several defects in the construction, that there was a lack of project management and that several contractors remained unpaid. Union also asked for proof that RPP 3 and RPP 5 had financial means to meet its payments obligations. Under the PDA, Union had the right to be informed of events that might jeopardise the milestones and liquidity problems in RPP 3 and RPP 5 were such events.

On 13 October 2010, Kirsten Felden from Union sent an email to André Rosberg *et al.* explaining that Union would not pay for construction performed in September until all of Pankowski's outstanding invoices were paid and full confirmation of such payments was provided to Union.

⁹ Invoices no. 1/VI/2010, 10/VII/2010, 4/VI/2010, 8/VIII/2010 and 13/VIII/2010.

On 14 October 2010, André Rosberg once again responded that the issues Union was concerned about were “under control” and would be taken care of satisfactorily. As regards payment to contractors he wrote that “no proofs of payment can be delivered” because “the time for payments has not lapsed”. Factually, this was incorrect since Pankowski had invoices which were issued and overdue (*i.e.*, invoices other than the PLN 2.7 million due on 15 October 2010.)

In a second letter of 14 October 2010, André Rosberg described the balance between “funds provided by Union and costs of construction works”. The balance was PLN -3,164,172 according to his calculation.¹⁰ The gap was supposed to be bridged by:

- “- re-negotiations of value of the works agreed with General Contrator (negotiations commenced)
- examining the possibility of termination of the agreement with General Contractor and continuation works based on construction management approach (direct contacting of the sub-contractors)
- application for temporary bridge financing providing by our bank, secured by 2nd installment provided by Union Investment
- providing short term loan from our mother company (will be delivered in additional letter).”

On 14 October 2010, a further invoice from Pankowski in the amount of PLN 854,000 (incl. VAT) fell due.

In a letter dated 18 October 2010 addressed to André Rosberg, RPP 3 and RPP 5, Pankowski informed that it had not received payment of the PLN 2,700,000 which fell due on 15 October 2010 according to the revised payment annex of 29 September 2010. Pankowski stated that it was forced to stop its construction work on 21 October 2010 and had informed Union of this decision.

In a letter dated 19 October 2010, Pankowski informed Union accordingly.

7.5.26 *Union terminates the PDA – 20 October 2010*

Then, in a letter dated 20 October 2010, Union terminated the PDA. Union referred to four circumstances.

¹⁰ This does not give an accurate picture of the actual funding need since RPP 3 and RPP 5's payments out could not, under the contract, be made by way of payments from Union which were contingent on RPP 3 and RPP 5's payments, *i.e.*, RPP 3 and RPP 5 had to pay its contractors first. Hence, the funding need was higher than the balance even if the numbers were correct.

- (i) RPP 3 and RPP 5 had suspended payments to the general contractor – Pankowski;
- (ii) RPP 3 had entered into an agreement with Pankowski which Union considered a recovery arrangement with a creditor;
- (iii) RPP 3 had had assets seized by a court bailiff in the dispute with Cushman & Wakefield; and (probably rather a consequence of the foregoing)
- (iv) RPP 3 and RPP 5 had ceased to be able to pay their debts as they fell due and their assets were not sufficient to pay their debts.

These circumstances constituted “Insolvency” in the meaning of the PDA according to Union.

7.5.27 *Further correspondence and settlement*

Subsequent to the termination, on 22 October 2010, RPP 3 and RPP 5 sent a letter through Gösta Gustafsson and André Rosberg where they claimed that there were no lawful grounds for termination. It was claimed that:

- (i) RPP 3’s due obligations with Pankowski were settled;
- (ii) The annex entered into between RPP 3 and Pankowski is not a recovery agreement since it does not regulate payment of outstanding fees in instalments;
- (iii) RPP 3 is still able to make payment to its contractors; and
- (iv) RPP 3 and RPP 5 are still able to pay their debts on a regular basis.

On 26 October, another letter was sent to Union further emphasising Union’s lack of right to terminate the PDA.

On 1 November 2010, Union sent a letter to RPP3 and RPP 5 informing that Pankowski had claimed a sum of PLN 2,145,327.30 from Union. This corresponded to what Reinhold allegedly had failed to pay Pankowski for their construction work in the Lipinski-project. Union requested RPP 3 and RPP 5 to, *inter alia*, provide a clarification to why Pankowski had not been paid.

From my understanding based on subsequent correspondence I have reviewed, Union sent also another letter which was received on 4 November 2010, where Union requested to be provided with “all the original books, records, surveys, studies, tests, as well as the documents concerning the “Lipinsky Passage” or the “Lipinsky Center” that [were]

in the possession of [RPP 3 or RPP 5]" (quoting the response letter from André Rosberg mentioned in the paragraph below).

On 5 November 2010, Gösta Gustafsson, acting on behalf of RPP 3 and RPP 5, sent two letters to Union. One of them concerned the non-payments to Pankowski. Gustafsson argued that the claims of Pankowski (based on the annex dated 29 September 2010) were "groundless" since Pankowski had failed to meet an obligation to submit a schedule of the remaining work including final date for completion of such work. With respect to the claims based on work performed prior to 29 September 2010, the explanation for the non-payment was that Union had not paid Reinhold as they should have, with the result that Reinhold was not able to pay Pankowski.

The other letter sent on 5 November 2010 discussed Union's request that RPP 3 and RPP 5 should transfer certain building permits to Union. It was stated in this letter that there were a number of outstanding issues to handle before such transfer could take place. An invitation to a meeting was accordingly extended to Union in the letter.

On 5 November 2010, Union exercised its rights to step into the rights and obligations of RPP 3 and RPP 5 under a number of different contracts relating to Project Lipinski, *inter alia*, the construction contracts with Pankowski.

On 9 November 2010, Union responded to both of RPP 3 and RPP 5's letters dated 5 November 2010. With respect to the issue of non-payment of Pankowski, Union stated that Pankowski had brought further outstanding claims to the knowledge of Union, this time under the construction contracts of 6 January 2009 and 1 December 2009. Furthermore, Union claims that none of the grounds alleged in RPP 3 and RPP 5's letter for not paying Pankowski, *i.e.*, that Pankowski had failed to meet an obligation to provide certain schedules and that Union had failed to meet an obligation to pay RPP 3 and RPP 5, were acceptable. Union stated that the payment to Pankowski was not subject to any obligation to provide such schedules, and the obligation of Union to pay RPP 3 and RPP 5, which was referred to in the letter to Union, was not triggered until proof is provided to Union that all due payments to RPP 3 and RPP 5's subcontractors had been made.

In the other response letter sent by Union to RPP 3 and RPP 5 on 9 November 2010, Union confirmed a meeting to discuss the handover of Project Lipinski to Union and, once again, informed about having stepped

into the rights and obligations of RPP 3 and RPP 5 under certain contracts relevant to Project Lipinski.

On 22 November 2010, in a letter to RPP 3 from Union, Union requested a written consent from RPP 3, allowing Union to take over certain documentation and ultimately obtaining an amended building permit. The same day, another letter was sent from Union to RPP 3 and RPP 5 with certain smaller claims primarily relating to the handover of Project Lipinski.

On 1 December 2010, after having received an invoice from RPP 5, Union stated once again that RPP 5 would not receive any payment from Union due to the fact that Pankowski still had not been paid correctly by RPP 3 and RPP 5.

Further correspondence and meetings followed, but eventually, on 22 March 2011, Union requested ad hoc arbitration under the UNCITRAL Arbitration Rules. The requested proceedings were, however, suspended by Union, RPP 3 and RPP 5 jointly on 3 June 2011, and on 27 June 2011, Union, RPP 3, RPP 5 and Alterco entered into a settlement agreement.

Under the settlement agreement, RPP 3 and RPP 5 undertook to pay Union EUR 300,000 and deliver all documentation relating to Project Lipinski to Union (including the building permits). RPP 3 and RPP 5 further undertook to actively cooperate with and support Union during the completion of Project Lipinski, in particular with, but not limited to, obtaining certain occupancy permits. Alterco undertook to guarantee RPP 3's and RPP 5's payment obligations under the settlement agreement, subject to certain limitations.

8 Evaluation of the cash security arrangement

Early in the examination, several persons connected to the group questioned the decision of the board of the Company to provide cash collateral in SEK for the Polish companies PLN loans (for more detailed information regarding this arrangement, please see Section 7.2.2. above). Two issues were raised: the arrangement caused an exchange rate loss since the PLN grew stronger against the SEK over time and the arrangement caused a loss to the group and thereby to the Company because the interest rate at the SEK account was less than the interest rate on the PLN loans (the “negative carry issue”). Since these issues clearly fell within the scope of the themes of examination, I decided to analyse these issues.

8.1.1 Exchange rate loss

The arrangement where SEK was provided as collateral for PNL loans continued until July 2008. During the period from 1 January 2007 to 25 July 2008 the PLN was strengthened against the SEK. The diagram below shows how.



Hence, as the PLN grew stronger, the Company had to provide further SEK deposits collateral to maintain the 110% cash cover.

In 2008, the Company changed its accounting currency from SEK to EUR and in June and July 2008, the Company executed a series of currency exchange transactions where the existing SEK 290,000,000 balance was exchanged into, ultimately, PLN (PLN 100,457,642.89).

With the knowledge of hindsight it is clear that the decision to deposit cash collateral in SEK for the PLN was less favourable to the group as a whole than if the Company had converted the SEK received in the IPO into PLN up front and had then funded the Polish subsidiaries with shareholders loans. However, had this approach been taken, the Polish companies would have been capitalised almost entirely in PLN whereas the Company, at the time, reported in SEK. Any exchange rate fluctuations between PLN and SEK would then affect the Company's balance sheet. By using the SEK cash collateral for PLN loans, the Company effectively hedged the exchange rate risk on the Polish subsidiaries. Moreover, the Company has been transparent in describing its hedging strategy. Both the IPO prospectus and the annual accounts describe the hedging strategy and the cash collateral arrangement.

The practice of depositing SEK as cash collateral for PLN loans ceased during the summer of 2008 after the Company had changed its accounting currency from SEK to EUR.

In summary, I can find no cause for criticising the board for deciding to hedge the currency risk by the SEK cash collateral arrangement.

8.1.2 *Negative carry*

The second issue relates to negative carry. The issue is that the interest rate on the cash collateral deposit was lower than the interest rate on the PLN loans (the latter being WIBOR plus a margin, starting at 0.25% and increasing to 0.67%).

Conceptually, the negative carry for the period 2007 to July 2008 could be viewed as the cost for hedging the currency risk between SEK and PLN.

However, when the Company in July 2008 had converted the SEK cash deposit to PLN, the situation was that the Company deposited *PLN* at a bank account with Danske Bank as security for PLN loans extended by Danske Bank to the Polish companies. It would seem that the group and the Company was thereby losing interest each month with no apparent benefit, given that there was no need to use cash security for hedging reasons. On the face of it, the Company should have been able to utilise the PLN cash deposit to refinance the PLN loans. The result would be that the company would have funded the Polish subsidiaries with shareholders loans at the same interest rate as the Danske Bank loans, thereby reducing the negative carry for the group to the Company's benefit.

At the board meeting on 12 November 2008, the board instructed the CEO to review the security arrangement because

“although it has certain advantages, it costs some PLN 300,000 per year”

However, the tentative conclusion of KPMG based on the available material and certain assumptions is that the cost to the group in terms of negative carry was considerably higher, in the region of SEK 10,000,000 for the period between summer 2008 and year end 2010.

The CEO reported on 8 December 2008 that he was “discussing” the matter with Danske Bank. In the board’s “to do list” (Sw. “*beslutslogg*”) this notation remained until end of 2010. It appears that the security arrangement was not renegotiated or terminated. Hence, it would seem possible that the group incurred a cost of several million SEK (tentatively assessed by KPMG to around SEK 10,000,000 based on certain assumptions) between the summer of 2008 until the end of the period covered by the examination that could possibly have been avoided. Framed differently, the Company could have lent its PLN cash to the Polish subsidiaries for the same interest rate that accrued on the Danske Bank loan with no additional costs for the Polish subsidiaries. Hence, the Company missed the opportunity to have a considerably better return on its PLN cash.

If, this is the case, the responsibility falls primarily on the CEO for having failed to rearrange the security arrangement and secondarily on the board for having impassively allowed the issue to remain unresolved although they had instructed CEO to review the matter.

8.1.3 Discharge

The directors in the office during the fiscal years 2008, 2009 and 2010 are the directors that could potentially be held liable for the negative carry. However, it should be noted that the directors having been in office during 2008 and 2009 have all been granted discharge (Sw. *ansvarsfrihet*) by the shareholders for 2008 and 2009. The discharge for the year 2009 was granted at a shareholders’ meeting held on 7 May 2010. Hence, it is unlikely that any director can be held liable for negative carry during these periods, as any liability for 2008 and 2009 became time barred on 8 May 2011 unless the information in the annual accounts and the auditor’s statement regarding this matter were materially incomplete or inaccurate.

9 Prohibited loans, illegal dividend etc.

9.1 Legal background

Under Chapter 21 Section 1 of the Swedish Companies Act (Sw. *aktiebolagslagen*), it is prohibited for a Swedish limited liability company to lend money to, or provide security for the borrowings of, (i) any person who owns shares in the company or another company within the same group; (ii) any person who is a member of the board of directors or managing director of the company or another company within the same group; (iii) any person who is married to, or co-habits with, or is a sibling or relative in directly ascending or descending relation of, a person referred to in points (i) or (ii); (iv) any person who is related by marriage to a person referred to in points (i) or (ii) in directly ascending or descending relation or where either person is married to a sibling of the other; or (v) a legal person over which a person referred to in points (i)–(iv), alone or together with any other person referred to therein, has a controlling influence, unless one of a limited number of exceptions apply.

The two most relevant exceptions are “the group exception” (*i.e.*, where the loan is made to an entity which is a parent company of or included in the same “group” as the lending company) and the “commercial loan exception” (a loan made to the borrowing shareholder strictly for its business and for strictly commercial reasons). A loan in contravention of the loan prohibition is invalid, with the legal sanction that the recipient of the loan shall repay what he or she has received (Chapter 21 Section 11 of the Companies Act). It is a criminal offense to intentionally or negligently act in breach of the loan prohibition.

9.2 Transfer in July 2008

On 1 July 2008, the Company made a transfer of SEK 3,000,000 to Reinhold Gustafsson Byggnadsfirma. The payment order came from Gösta Gustafsson via his fiancée (as she then was), Ms. Fe Santos. There was no consideration provided for the money transferred. Therefore, the transfer constituted a loan. The payment order did not indicate that the transfer involved any other entities than the Company and Reinhold Gustafsson Byggnadsfirma. Reinhold Gustafsson Byggnadsfirma was the name under which Reinhold Gustafsson, Gösta Gustafsson’s father, was trading (Sw. *enskild firma*). The Company was, therefore, prohibited, under Chapter 21 Section 1 of the Companies Act, from providing a loan to the father of the CEO, see Chapter 21 Section 1 first paragraph fourth

item. No exception applied. Therefore, the loan was given in breach of the loan prohibition.

In 2009, Gösta Gustafsson ordered that the transfer should be reclassified and recorded as a loan from the Company to Reinhold Polska B.V. and then a loan from Reinhold Polska B.V. to Reinhold Group B.V., the majority shareholder of the Company which was controlled by Gösta Gustafsson.

If this three step structure, despite the direct money transfer from the Company to Reinhold Gustafsson Byggnadsfirma, was the *original* intention of all parties there is some possibility that the transfer would not be in breach of the loan prohibition, as it would qualify as an exception from the loan prohibition by constituting a loan to a company (Reinhold Polska B.V.) included in the same group as the lending company (the Company), and that the following transfer from Reinhold Polska B.V. to Reinhold Group B.V. would be from a Dutch company, hence outside the scope of the loan prohibition in the Swedish Companies Act.

However, the documents seem to indicate that the decision to classify the transfer as a three step lending transaction was subsequent to the physical money transfer. In particular, on 1 July 2008, the sole director of Reinhold Polska B.V., Rob Eichhorn, clearly had no knowledge of and no intention to borrow or lend as the records subsequently recorded the company having done. He was only subsequently informed that Gösta Gustafsson wanted the records to show that Reinhold Polska B.V. had received and made a loan. Such subsequent reclassification does not cure the breach of the loan prohibition.

Moreover, it is under this particular fact pattern doubtful whether the breach of the loan prohibition would be avoided even if all the parties originally intended the transaction to be recorded as a three step transaction. The fact that the monies were transferred directly from the Company to Reinhold Gustafsson Byggnadsfirma, not documented as a three step loan and that the sole purpose of bouncing any monies via the Dutch subsidiary would be to circumvent the Swedish loan prohibition, could possibly result in the transaction being classified as a *de facto* loan from the Company to Reinhold Gustafsson Byggnadsfirma. On this point, there is as of yet no clear precedent in Swedish case law.

It should be added that a decision by the CEO of Reinhold Polska AB to grant a loan to his father or to his own company contravenes Chapter 8 Section 34 of the Companies Act given that the CEO is disqualified from

taking decisions on such matters due to conflicts of interest (Sw. *jäv*). Furthermore, the decision constituted a breach of the CEO Instructions (Appendix 6), as the CEO Instructions stipulated that the CEO was prohibited from taking any decision concerning agreements between the Company and majority shareholders or persons related to the majority shareholders.

Finally, no interest appears to have been agreed on the loan. The absence of interest at market rate most likely constitutes an illegal concealed dividend (*i.e.*, transaction at an undervalue; Sw. *olovlig värdeöverföring*) from the Company to either of Reinhold Group B.V. or Reinhold Gustafsson Byggnadsfirma in an amount equal to the difference between the market interest rate and the actual interest rate received by the Company (nil). The recipient of the concealed dividend (either Reinhold Gustafsson Byggnadsfirma or Reinhold Group B.V.) is liable to repay such amount to the Company in accordance with Chapter 17 Section 7 of the Companies Act.

From the documentation available there is no indication that the CEO informed the board of the Company's lending.

9.3 Transfer in April 2009

In February 2009, Reinhold Group B.V. paid EUR 360,000 to Reinhold Polska B.V. thereby reducing the capital amount of the outstanding debt between these companies (which had been reclassified as described above) to a small amount.

In April 2010, Reinhold Polska B.V., however, granted a new EUR loan in an amount corresponding to PLN 1,650,000 (some EUR 425,000) to Reinhold Group B.V. The transfer was made following an instruction from Gösta Gustafsson. This transfer was not in breach of the loan prohibition under the Swedish Companies Act as it was made solely between the two Dutch companies. However, due to conflicts of interest Gösta Gustafsson was disqualified from representing the Company to issue instructions to Reinhold Polska B.V. to make the transfer. There is nothing to suggest that this transfer had any benefit for the Company, Reinhold Polska B.V. or the group at large. Moreover, the CEO of the Company failed to report the transaction to the board of the Company and therefore also breached the CEO Instructions of Reinhold Polska again.

The loan was subsequently repaid by Reinhold Group B.V.

9.4 Other

In the board minutes from 2008 another receivable by the Company against Reinhold Group B.V. of SEK 2,068,033 was discussed frequently. For instance, in the board minutes from the meeting on 1 December 2008 this receivable was discussed with reference to an “Appendix 4” to the minutes, said to have been distributed by post and separately from all other board documentation. At the meeting, the CEO was instructed by the board to explain what the receivable concerned. This instruction was then repeated at the board meeting on 22 December 2008 and the item appeared on the board’s “to-do-list” for a considerable time until it was struck out.

In my examination, I have not found this “Appendix 4”. It has not been appended to the minutes and it has not been possible for me to find any information as to what the receivable concerned. In all, the impression given by the available documentation is that the receivable was a sensitive issue, but why it was sensitive cannot be ascertained.

The lack of information to evaluate means that I cannot form an opinion but the fact that the board was unaware of how the receivable had arisen suggests that the CEO at least had failed to report a related party transaction. The receivable ultimately appears to have been settled/repaid.

10 Evaluation of possible kick back in the Reinhold Centre project

10.1 Responsibility of the CEO

10.1.1 Issues

As described in Section 7.5.14 above, on 23 July 2010, Technico sent a letter claiming that it had made a “consultation contract” with Gösta Gustafsson’s private company, Reinhold sp. z o.o. with respect to the Reinhold Centre Project in Katowice.

Five main issues arise with respect to this.

- (a) Is it factually correct that such a contract was made in respect of the Reinhold Centre Project?
- (b) Was the contemplated and actual conclusion of the contract properly reported and handled within the Company?
- (c) Did Gösta Gustafsson act negligently in his capacity as CEO of the Company?
- (d) Did the Company suffer a loss as a consequence and can the Company claim damages for such loss?
- (e) Has a criminal offence been committed?

10.1.2 *Is it factually correct that such a contract was made in respect of the Reinhold Centre Project?*

I posed a number of detailed questions to Gösta Gustafsson regarding the existence of this contract. He did not answer.

However, Gösta Gustafsson and, from what I have been informed, his right hand man, Michel Fatehnia, provided the background information to a memorandum prepared by the lawyer Peter Löhr on behalf of the board where the matter was discussed. Both the emails from Fatehnia in which background information was provided and Löhr’s memorandum itself indicate that a consultation contract *was* indeed entered into between Technico and Reinhold sp. z o.o. regarding Reinhold Centre.¹¹ This also finds considerable support in the fact that the invoices sent by Reinhold sp. z o.o. to Technico explicitly refer to a contract between Reinhold sp. z o.o. and Technico dated 17 December 2008. This happens to be the very date on which RPP 4 entered into the general construction contract with Mostostal and Mostostal presumably entered into its contract with its sub-contractor Technico. Moreover, the fact that Technico explicitly

¹¹ Even though Peter Löhr in my interview believed that he was informed by Fatehnia and Gustafsson that the contract concerned a project *unrelated* to the Reinhold Polska AB group.

referred to the contract in its letters to Gösta Gustafsson makes this conclusion very probable.¹² I therefore find it very probable that the “consultation contract” or an arrangement between Technico and Reinhold sp. z o.o. relating to the Reinhold Centre Project did indeed exist and that it related to Reinhold Centre.

10.1.3 *Was the contemplated and actual conclusion of the contract properly reported and handled within the Company?*

The contemplated conclusion of the contract and the subsequent existence of this contract were known to Gösta Gustafsson (the CEO of the Company and the director of RPP 4).

The fact that this consultation contract was to be entered into simultaneously with the Mostostal and Technico contracts meant that Gösta Gustafsson had a personal interest in RPP 4 choosing to contract with Mostostal. If RPP 4 did, Gustafsson’s company would thereby get the consultation contract with Technico. His interests were therefore not fully aligned with those of RPP 4. Given the sums involved for Gösta Gustafsson’s private company (in total PLN 4.380 million) his interest must be deemed to be material.

It is worth highlighting that if RPP 4 had been a Swedish company, Gösta Gustafsson would have been disqualified from handling the matter of the contract between RPP 4 and Mostostal on behalf of RPP 4 due to conflicts of interests (Sw. *jäv*). However, I have not analysed whether the Polish rules for a sp. z o.o. (*Spółka z ograniczoną odpowiedzialnością*, meaning “limited liability company”) would lead to the same result and it is beyond the scope of this examination.

As CEO of the Company, Gösta Gustafsson was under an obligation to report to the board that a consultation contract was due to be signed between his company and a subsidiary of the Company. It was also his duty to report that such a related party contract had been signed as and when this had occurred. This follows from the CEO Instructions adopted by the board and his general duty of loyalty. There is no indication that he did so.

In September 2010 it appears that someone, most likely Michal Borowski, had received information about the existence of the invoices to Technico and had informed Pareto Öhman AB (the arranger of the IPO).

¹² Irrespective of the fact that Technico subsequently claimed otherwise when confronted.

A telephone meeting was apparently held between Pareto Öhman AB and, *inter alia*, Gösta Gustafsson on or about 15 September 2010.

Only then did Gösta Gustafsson inform the board of the Company of the consultation contract. However, he did not present the board with Technico's letters or copies of the invoices. In fact, all board members interviewed (see Section 4.1 above), except André Rosberg, have stated that they never saw these documents and were not informed of their precise contents. Indeed, according to Peter Löhr, not even Löhr himself had access to these documents even when, on the instruction of the board, he made a memorandum concerning these circumstances and interviewed Gösta Gustafsson (the appropriateness of which can also be questioned, see below under Section 10.2). As the letters from Technico were addressed to the Company, Gösta Gustafsson, in his capacity as CEO of the Company, acted in breach of his duty to inform the board under the Companies Act and under the CEO Instructions.

In summary, Gösta Gustafsson breached his duties as CEO by failing to report the contemplated conclusion of the contract between Technico and Reinhold sp. z o.o. and by subsequently failing to disclose the circumstances surrounding the contract properly.

10.1.4 Did Gösta Gustafsson act negligently in his capacity as CEO of the Company?

In order for a CEO to be held liable towards the company in which he is CEO, his action or inaction must have been negligent. If the consultation contract was indeed a kick back (*i.e.* a payment to Gustafsson without any services being provided) it is clear that the failure to report this transaction was at least negligent and more likely intentional.

10.1.5 Did the Company suffer a loss as a consequence and can the Company claim damages for such loss?

It remains to be analysed whether the negligence of the CEO also caused a loss to the Company.

RPP 4's contract was made with Mostostal, not with Technico or Reinhold sp. z o.o. For RPP 4 to have suffered a loss it is therefore necessary to prove that the Company could have obtained a less expensive contract from Mostostal (or another party) had the information regarding the contract between Technico and Reinhold sp. z o.o. been fully available to the board.

As the price paid to and offered by Mostostal was dependent on the price offered by and paid to Technico, which in turn was partially dependent on the sums paid to Reinhold sp. z o.o., it is clear that RPP 4 would have suffered a loss if the payments to Reinhold sp. z o.o. were made without Reinhold sp. z o.o. providing any consideration for the sums received (other than procuring that Mostostal and Technico received the work which is relevant). In other words, if it did not provide any relevant services for these sums, one can *prima facie* assume that RPP 4 paid an unnecessarily high amount to Mostostal.

I have asked Gösta Gustafsson what services his company provided in consideration for the payments from Technico but I have not received any answer. Consequently, I have neither any hard evidence to show that services were provided nor any hard evidence to show the contrary. However, there are certainly a number of indications that the payments received may not have been for services of comparable value but rather a kick-back. These are:

- the consultation contract was entered into on the same day as the Mostostal contract;
- the existence of the contract was not disclosed to the board, in breach of a number of legal rules;
- Technico used threat of disclosing the existence of the agreement to the board of the Company to push Gösta Gustafsson to procure payment of their outstanding invoices;
- the consultation contract was not disclosed to the board in connection with Gösta Gustafsson having received the Technico letters but only upon the letter's being disclosed to Öhman; and
- copies of the two letters were never presented to the board or to Peter Löhr.

Now, had Gösta Gustafsson properly reported the contemplated contract with Mostostal, RPP 4's costs would most likely have been reduced. If the costs to RPP 4 has unnecessarily increased with no equivalent benefit, then – theoretically – the value of the shares in RPP 4 would be reduced. Thereby, the value of the shares held by the Company in the shareholder of RPP 4, RPBV, would also be reduced and the Company would have suffered a loss. (That being said, it does not follow automatically from the fact that RPP 4 suffered an unnecessary cost that the Company suffered an indirect loss of the equivalent amount or at all.)

I have not investigated whether *RPP 4*, the company which would have suffered the direct loss, is able to claim compensation from Gösta Gustafsson in his capacity as director of such company. If that is the case the Company may be unable to recover its indirect loss since the Company would be over compensated if RPP 4 is also able to receive compensation. In any event, if RPP 4 actually receives such compensation, the Company has not suffered a loss.

10.1.6 *Has a criminal offence been committed?*

Under Chapter 10, Section 5 of the Swedish Penal Code:¹³

“A person who, by reason of a position of trust has been given the task of managing another's financial affairs or independently handling an assignment requiring qualified technical knowledge, or exercising supervision over the management of such affairs or assignment, abuses his position of trust and thereby injures his principal, shall be sentenced for *breach of faith committed by an agent against his principal* to a fine or imprisonment for at most two years. The foregoing does not apply if the crime is punishable under Sections 1-3.

If the crime is gross, imprisonment for at least six months and at most six years shall be imposed. In assessing whether the crime is gross, special attention shall be given to whether the offender used a false document or misleading bookkeeping or caused his principal a substantial or particularly keenly felt loss.

Further, under Chapter 2 Section 2 of the Swedish Penal Code:¹³

“Crimes committed outside the Realm shall be adjudged according to Swedish law and by a Swedish court where the crime has been committed:

1. by a Swedish citizen or an alien domiciled in Sweden,
2. by an alien not domiciled in Sweden who, after having committed the crime, has become a Swedish citizen or has acquired domicile in the Realm or who is a Danish, Finnish, Icelandic, or Norwegian citizen and is present in the Realm, or
3. by any other alien, who is present in the Realm, and the crime under Swedish Law can result in imprisonment for more than six months.

The first paragraph shall not apply if the act is not subject to criminal responsibility under the law of the place where it was committed or if it was committed within an area not belonging to any state and, under Swedish law, the punishment for the act cannot be more severe than a fine.

¹³ Translation from <http://www.government.se/content/1/c4/15/36/d74ceabc.pdf>.

In cases mentioned in this Section, a sanction may not be imposed which is more severe than the severest punishment provided for the crime under the law in the place where it was committed.“

The position as CEO of the Company (and as director of RPP 4 for that matter) is a position of trust covered by Chapter 10 Section 5 of the Swedish Penal Code. The CEO of a company has the duty to inform the board of any contemplated arrangements between entities controlled by himself and subsidiaries of the company where he has his position of trust if such arrangement will cause a loss to the company. It is therefore likely that the failure of the CEO (Gösta Gustafsson) to report the contemplated arrangement between Reinhold sp. z o.o. and Technico would be classified as “abuse” of such position. Hence, the failure would fall under Chapter 10 Section 5 of the Penal Code, provided that this caused “injury” to the Company. In the latter respect it should be borne in mind that “injury” does not equate actual economic loss but covers also a risk of ultimate economic loss. Therefore, *if* no relevant services (of comparable value) were rendered under the contract, or if relevant services were rendered under the contract but to a value clearly not corresponding to the payment received, and *if* it can be proven that this affected the price paid by RPP 4 and the value of the Company’s shareholding Gösta Gustafsson could be deemed to have caused “injury” to the Company.

Parenthetically, it can be noted that the same reasoning would seem to apply under Swedish criminal law to Gösta Gustafsson in his capacity as director of RPP 4.

It is probable that the failure to inform the board of the Company should be regarded as having been committed in Sweden (where *e.g.* the Company is domiciled) rather than in Poland (where the contract was concluded). If the actions should be deemed committed in Poland they are not punishable under Swedish law unless they are also punishable under Polish law. I have not analysed whether the actions of Gösta Gustafsson would be a criminal offence under Polish law.

10.2 Responsibility of the board

The board of the Company did not know of the consultation contract until after it was entered into. The first director to receive knowledge of the consultation contract and the letters from Technico seem to have been André Rosberg. He received knowledge thereof during the summer of 2010. When André Rosberg received knowledge of the contract and the Technico letters he should have reported this to the rest of the board. He

intentionally chose not to. Consequently, he breached his duties as director. However, his omission probably did not cause a loss to RPP 4 or to the Company as the loss (if any) was already crystallised by this time.

The entire board received knowledge of the matter in broad outline on 15 September 2010. The board then acted correctly in investigating the matter and asking a lawyer to write a legal memorandum on the issue. However, in my opinion it was clearly inappropriate to assign this task to Peter Löhr. Löhr had been representing Gösta Gustafsson personally in trying to sell Gustafsson's shares. Consequently, the board assigned the task of investigating Gustafsson's actions as CEO to Gustafsson's own legal counsel. The inappropriateness of this can be underscored by the fact that a legal counsel who is a member of the Swedish Bar Association (unlike Peter Löhr) would not have been able to accept such a task due to conflicts of interests.

On or about 13 October 2010, the board received the memorandum from Löhr. It appears that the memorandum is simply a summary of the information provided by and the arguments presented by Gustafsson and Fatehnia. It does not contain any critical analysis whatsoever. This was confirmed by Löhr in my interview with him. On the seminal topic of whether Reinhold sp. z o.o. actually provided any real services to Technico the memorandum is, when read carefully, totally silent. Instead, it describes services allegedly provided by Reinhold sp. z o.o. to *the Company* on the instruction of the CEO (which do not seem to have been documented or reported to the board of the Company either) and services allegedly provided by Reinhold sp. z o.o. to Technico during the *fit out* (which is work separate from the general construction work which was here at issue).

Even so, the memorandum explicitly states that the CEO failed to report this consultation contract (which indisputably at least bears all the *hallmarks* of a kick back). Despite all of this, the board apparently did nothing after having received the memorandum. It is clear that a board under these circumstances cannot let a matter such as this simply rest without any action being taken.

The board cannot therefore avoid criticism for how it handled the investigation into the matter of the potential kick back to the CEO's company. However, the failure as such has probably not caused or contributed to any loss to the Company (if any such has occurred).

11 Evaluation of the organisation of the group

It is a well-known fact that it is a particular challenge in a listed company to have an entrepreneur controlling a majority of the votes and simultaneously acting in a management capacity, *e.g.*, as CEO.¹⁴ Such a company will be entirely dependent on the ability, honesty and good judgment of the entrepreneur.¹⁵ Moreover, and equally important, it will be dependent on the will and energy of the entrepreneur to engage himself in the business. Any loss of such energy will often result in an impasse. Such was however the situation in the Company.

In the Company, the ability of the board to exercise control over Gösta Gustafsson was further limited by the legal group structure. Interposed between the Company, where Gösta Gustafsson was CEO, and the operating subsidiaries was a Dutch holding company. The director of this company was a corporate service provider that took all his instructions from Gösta Gustafsson. On the level below, Gösta Gustafsson was the sole director of most of the Polish companies. Given this, little or nothing could be done in the group without Gösta Gustafsson's actual involvement.

Such a structure necessitates that the board of the parent company establishes particularly stringent and effective reporting and monitoring procedures. Moreover, if the board finds that the entrepreneur is not performing or has lost interest or energy, it is the duty of the board to find a replacement or change the structure to balance the loss of effort from the entrepreneur.¹⁶ This is so even though the board itself may then be replaced by the majority owner at the next shareholders' meeting. The board owes its duties to the company and not to the majority shareholder.

It is established that Gösta Gustafsson on 3 June 2008 asked to be relieved from his role as CEO and also that Gösta Gustafsson reduced his work for the group during 2009-2010.

In my opinion, the board cannot avoid criticism for not taking sufficiently effective measures to replace Gösta Gustafsson as CEO with someone more accessible and willing to be more involved on a day-to-day basis. In addition, given the poor reporting (see Section 12 below) and the difficulty in obtaining trustworthy financial information regarding the Company and Reinhold Polska B.V., there certainly should have been a

¹⁴ See the Fermenta report by, *inter alios*, professor Knut Rodhe at page 150.

¹⁵ *Ibidem*.

¹⁶ See Andersson, Johansson, Skog, *Aktiebolagslagen – En kommentar, Del 1*, p. 8:9.

CFO appointed for the entire group and not merely for the Polish companies.

12 Evaluation of the reporting, in particular regarding cash flow

12.1 How financial reports were produced and presented

Management of the Polish companies prepared monthly financial reports and management accounts. The management accounts included reports on the budget and progress of individual projects as well as cash flow reports for the Polish companies.

The books, records and accounts of the Company and Reinhold Polska B.V. were inaccessible to the CFO of the Polish companies, Maciej Gotkiewicz, and were never included in the cash flow reports. The management accounts were delivered by the CFO of the Polish companies to André Rosberg and Gösta Gustafsson around the 15th each month. The reports submitted by Gösta Gustafsson to the board of the Company were apparently edited versions of the management accounts.

All interviewed board members (see above under Section 4.1) agree that the board of the Company was dissatisfied with the cash flow reporting from the CEO. This is also evident from the minutes from the board meetings.

Already in 2008, there were repeated request from the board to the CEO for trustworthy and timely liquidity reports. This continued into 2009. For instance, at the meeting on 16 June 2009, the board demanded that the CEO must improve the reporting to the board.

At the board meeting on 10 September 2009, the board further instructed the CEO to procure that “the Company’s CFO” would present the financial reporting and the liquidity report at the coming board meetings (rather than the CEO).¹⁷ According to the chairman of the board, Waldemar Tevnell, this was prompted by the board’s feeling that the CEO did not fully disclose the financial situation of the group.

At the meeting on 16 November 2009, Maciej Gotkiewicz attended and presented the financial reports. However, the quality of the cash flow reporting was not acceptable to the board. Hence, the board instructed the CEO to account for the liquidity by presenting the following three categories:

- (a) liquidity available to the Company without any restrictions,
- (b) liquidity which is available only for a specific project, and

¹⁷ In actual fact, the Company did not have any CFO as Maciej Gotkiewicz was only employed as CFO and responsible for the Polish level. He had no access to the books and records of the parent companies.

- (c) liquidity which at the time of the report is blocked, e.g., by a lender.

At the next board meeting when liquidity was on the agenda, where the liquidity situation was addressed, on 15 February 2010, Maciej Gotkiewicz was not present and the board noted that no liquidity report had been submitted by the CEO. The board then again underlined the importance of the requirement that a liquidity report should always be attached to the notice of the board meetings and that “the Company’s CFO” should be the person who presented the liquidity reports, not the CEO.

On the next ordinary board meeting on 14 April 2010, Maciej Gotkiewicz was present and a liquidity report was presented.

On the next board meeting, on 7 May 2010, no liquidity report was presented and Maciej Gotkiewicz was not present. In the draft minutes it was noted that the CEO promised to ensure that the reporting would conform to the board’s instruction as from 29 June 2010 at the latest.

On the following meeting, on 29 June 2010, a liquidity report was presented and Maciej Gotkiewicz attended the meeting. However, once again the report only covered the Polish companies. Furthermore, it was not structured according to the board’s instructions from the meeting on 16 November 2009 and as promised by the CEO.

The next board meeting was held on the 27 August 2010, three days before the Q2 report was supposed to be submitted. No financial reports at all were presented. The CEO however reported orally that “the liquidity was good in the long term, but strained in the short term”. Maciej Gotkiewicz did not attend the meeting.

12.2 The board’s duties

According to the Rules of Procedure of the Board, adopted at the constituent board meeting held on 7 May 2010 Appendix 7, the board shall at each meetings address, *inter alia*, the following matters (translation from Swedish):

”The CEO’s rapport regarding existing projects with respect to time, budget (incl. contracting), quality and the affixed market value per project company, the budget with respect to the management company and other overhead costs, [and] financial reports regarding cash management[.]”

As regards the information to be provided to each director ahead of each board meeting, the Rules of Procedure stipulate the following:

“notice, proposed agenda, any reports and any other materials which the chairman and the CEO deem necessary shall be distributed by the CEO not later than two weeks prior to the board meeting, possibly excepting project related information which can be distributed as late as a week prior to the board meeting.”

The Rules of Procedure also stipulate that:

“The CEO shall prepare each board meeting by developing a proposal for agenda and procuring reports and necessary materials for the board’s resolutions.”

The board of a Swedish limited liability company is required under the Companies Act to continually assess the company’s and the group’s financial position. To do so, it must inform itself, *e.g.*, of the progress of the underlying business and the liquidity of the group companies. The reporting must be adequately arranged such that it gives the board a fair view of, *e.g.*, the liquidity and risks facing the group. When liquidity is strained, the board must be much more active and procure more detailed reporting at shorter intervals.¹⁸ This means that the board must always be reasonably informed as to what cash flow will be generated in coming periods, what expenses are to be paid and what cash resources are and will be available to meet payment obligations.¹⁹

12.3 The CEO’s duties

Under the Companies Act, the CEO of a Swedish limited liability company shall under the supervision of the board ensure that the company is adequately organised. He shall procure the reports to be submitted to the board.

Under the CEO Instructions adopted by the board of the Company after the 2009 and 2010 AGM, the CEO’s responsibilities are described as follows (translation from Swedish).

“The CEO shall procure that the board receives continual reports regarding the result, position and liquidity of the Company and the group together with projections concerning these items and information concerning material events such as material disputes, terminations of important agreements, insolvency of counterparties etc. The reporting shall be such that the board can make an informed assessment of the financial position of the Company and the Group and other material circumstances in the business. Where there is need for reporting between board meetings, the CEO should report to the chairman of the board.”

¹⁸ Andersson, Johansson, Skog, *Aktiebolagslagen – En kommentar, Del I*, p. 8:9.

¹⁹ See prop. 1997/98:99 p. 80.

12.4 Responsibility of the board

12.4.1 *General duty to keep itself informed*

The overall impression is that the reporting to the board of the Company was inadequate for a considerable time.

From November 2009, the board repeatedly asked for better liquidity reports and in particular a liquidity report covering the whole group and broken down such that, *e.g.*, the actual available cash could be ascertained. This was furthermore required under the Rules of Procedure of the Board and the CEO instructions. No such report was ever submitted by the CEO during 2010. Moreover, the reports that were sometimes submitted concerning the Polish companies stand alone were not structured such that the true liquidity situation of even these companies could be properly ascertained. The reason is that the reports lumped together payments in and payments out during a month irrespective of the fact that certain payments in (Union's payments) were actually contingent on payments out (payment of contractor's).

In all, it is evident that the board did not have sufficient knowledge of the liquidity situation of the group and the group companies from 2009 until October 2010.

In respect of the reporting to the board it has been said by several sources (directors and members of management) that financial reports and liquidity reports were only submitted to the board by the CEO as and when and in the format that the CEO himself, rather than the board, wanted. Likewise, the CEO would only call the CFO of the Polish companies to the meeting when the CEO was comfortable with the information to be provided. If the CEO did not have time to review the financial reports submitted by management or if they were too negative, the CEO opted not to submit anything and not to bring Maciej Gotkiewicz to the meetings.

This also seems to find some support from the fact that liquidity reports were only sporadically submitted to the board, did not contain the levels of detail that the board had repeatedly asked for and were totally missing at important times (such as when the Company was due to issue certain quarterly or semi-annual reports). Moreover, it is clear from the minutes that Maciej Gotkiewicz was only present at the board meetings when a written liquidity report was in fact presented.

Thus, it is quite possible that the CEO engaged in a sort of screening of the liquidity reports to ensure that the board only received the information

that he himself desired and/or could explain. André Rosberg has confirmed that he knew this was going on although he himself had better information due to his concurrent capacity as member of the management in Poland. Waldemar Tevnell has stated that the board always suspected that such screening was taking place. Maciej Gotkiewicz also confirmed that the CEO screened information to the board.

In fact, the same suspicion can be read between the lines in the board minutes where the board expressly demanded the presence of Maciej Gotkiewicz at the board meetings in order to get a more accurate presentation of financial reports. Yet, although the board appears to have harbored these suspicions, it did not make any real efforts to procure Maciej Gotkiewicz's presence at all board meetings or inquire as to why he did not attend, when he did not attend.

A board does not fulfil its obligation to monitor the liquidity situation of the group by merely repeatedly asking the CEO to procure liquidity reports of a certain kind if the CEO continuously fails to pay heed. This is especially so in a group with continuous liquidity problems and where the board suspects that the CEO is inclined to disregard the board's instructions.

In short, the board of the Company did not take sufficiently effective steps to implement a reporting structure that would ensure that it received timely and reliable liquidity reports. While it is true that a board is not directly responsible for procuring the reports as such, it cannot sit idle for months or even years while the reporting continues to be inadequate, especially in a company which is in repeated liquidity problems.²⁰ Given the length of the problem which largely went unremedied, the liquidity situation during May-September 2010, the suspicions of screening by the CEO and the absence of any actions to procure liquidity reports during July and August 2010 in the face of the clear warning signs in the June 2010 liquidity report (see further Section 7.5.11 above and Section 12.4.2 below), the failure by the board to generally procure adequate liquidity reporting deserves criticism. Indeed, the failure, in my opinion, most probably amounts to negligence under current Swedish law standards.

Hence, the individual board members could be liable in damages if the failure caused loss to the Company.²¹

²⁰ See SOU 1995:44 p. 159.

²¹ Chapter 29 Section 1 of the Companies Act.

12.4.2 *Specific monitoring duties upon liquidity problems (June 2010)*

Specifically, I find that the board failed to act with sufficient diligence and effectiveness to inform itself of the liquidity position in the group following the 27 June 2010 meeting. On 27 June 2010, the board was presented with a liquidity report showing that the Polish companies for the months July and August lacked means to pay their debts as they fell due. Contrary to the board's instructions, the report did not disclose the liquidity situation in Reinhold Polska B.V. and the Company. Yet, the board did not follow up on the report by requiring further information forthwith, asking what was being done to bridge the liquidity gap etc. Moreover, the board scheduled the next board meeting two months ahead, 27 August 2010. The board should have understood that by 27 August 2010 the group would be in dire financial problems if it merely continued with business in the ordinary course. With the information received the board should, *inter alia*:

- have demanded the CEO to promptly procure the full liquidity report to the board (which should have been provided at the meeting in the first place);
- have requested an update of the liquidity position much earlier than on 27 August 2010; and
- requested information from the CEO as to how the liquidity gap was supposed to be bridged.

The board consequently failed in its *specific* monitoring duties with respect to the liquidity crisis which became apparent through the 27 June 2010 meeting. This specific failure was no doubt negligent.

Hence, the individual board members could be liable in damages if the failure caused loss to the Company.²²

In reaching this conclusion I am well aware that Gösta Gustafsson, in his capacity as indirect shareholder of the Company had previously extended funds to the group in order to bridge payment difficulties and that individual board members may have relied on this to occur yet again. However, a board faced with a solvency crisis in the company's operating subsidiaries cannot merely *hope* that a majority shareholder will (again) solve the situation. If the contemplated solution is funding from a majority shareholder, the board must actively pursue such solution and

²² Chapter 29 Section 1 of the Companies Act.

satisfy itself that the majority shareholder is in fact both willing and able to provide the required funds in time. They must furthermore seek to secure a binding commitment from the majority shareholder. As far as the documentation and information obtained during interviews show, the present board failed to take such actions. Indeed, it even failed to properly ascertain the extent of the problem that had to be overcome (by assistance from the majority shareholder or otherwise).

12.4.3 *Specific monitoring duties upon liquidity problems and external reporting (August 2010)*

The lack of detailed and trustworthy liquidity reporting is particularly striking at the 27 August 2010 board meeting, which preceded the Q2 report.

At this time the board knew that it had to issue its Q2 report to the market no later than 31 August 2010 and it knew from the June 2010 meeting that there was a liquidity gap which would crystallise in July and August. It also knew that Gösta Gustafsson was in the process of selling his shares and would be reluctant to having negative public information disturbing his sales process. In addition, the board had required written liquidity reports in a special format as well as participation from the Polish CFO to avoid being presented with an overly optimistic view of the liquidity position. In a situation where an accurate and comprehensive liquidity report was most important and there was an increased risk that the CEO's reporting could be overly optimistic in order not to disturb his divestment process (in his capacity as indirect shareholder), the board accepted not being provided with any written liquidity report or even an oral report from the Polish CFO.

Undoubtedly, the board should have taken immediate steps to improve the information situation prior to the issue of the Q2 report. In my opinion, the financial information available to the board at this time was clearly insufficient. Moreover, the board apparently failed to inform itself properly as to the extent of the problems that lie behind the CEO's unspecific statement that "liquidity in the short term was strained."

While my criticism is directed against all board members, one board member clearly stands out. André Rosberg has confirmed that he had full knowledge of the dire financial situation. Yet, he did not inform his

fellow board members and did not take any other actions in his capacity as director.²³

The failure of the board to take actions to improve the information situation was, in my opinion, clearly negligent. Hence, the individual board members could be liable in damages if the failure caused loss to the Company.²⁴

12.5 Responsibility of the CEO

12.5.1 *In relation to reporting in general*

The documents clearly show that the CEO over a period of some years, and in the face of repeated reminders from the board, failed to present reliable, transparent and timely liquidity reports to the board. Moreover, if it is true that the CEO intentionally chose not to submit reports that were too negative and intentionally chose not to call for the presence of Maciej Gotkiewicz to avoid disseminating negative financial information to the board, the CEO intentionally disregarded instructions from the board that were binding upon him. In any event, the CEO at least negligently failed to follow instructions from the board.

A CEO is under a duty under the Companies Act to follow instructions from the board other than where the instructions contravene the Companies Act.²⁵ Since these instructions did not contravene the Companies Act, the CEO acted in breach of his duties.²⁶

Hence, the CEO could be liable in damages if the failure caused loss to the Company.²⁷

12.5.2 *In relation to reporting at the board meeting of 27 August 2010*

The situation is most grave in relation to the 27 August 2010 meeting. It seems quite clear that the CEO at this time knew very well that the liquidity position of the company was extremely problematic and that the Polish companies were unable to pay their debts as they fell due. Yet, it appears that only very sweeping oral information was presented at the board meeting. This did not properly convey the urgency and gravity of the situation. The documentation clearly indicates and all interviewees

²³ The fact that Rosberg may in his capacity as member of management have been actively seeking to overcome the liquidity crisis does not reduce this criticism, levelled against him, in his capacity as director.

²⁴ Chapter 29 Section 1 of the Companies Act.

²⁵ See Skog, *Rodhes Aktiebolagsrätt*, 23 ed., p. 161.

²⁶ Cf. Chapter 8 Section 41 of the Companies Act.

²⁷ Chapter 29 Section 1 of the Companies Act. Cf. Nerep & Samuelsson, *Aktiebolagslagen – en lagkommentar*, Del 3 - kap. 23-32, 2 ed., p. 390.

agree, that the information presented to the board and the market did not disclose that the Polish companies were in dire need of liquidity and unable to pay their debts as they fell due. Rather, the impression given was that the group did have funds to pay their debts as they fell due but that margins were small. Moreover, in the Q2 report the CEO painted a bright picture with no caveats (see above under Section 7.5.19).

Clearly, the CEO was negligent in failing to report the considerable financial problems facing the group. Hence, he also contributed to causing the Q2 report to be misleading in material respects (see below).

As can be gleaned from the reaction of the board when presented with hard numbers from Maciej Gotkiewicz on 5 September 2010, it is clear that the board members (other than André Rosberg) would not have issued the Q2 report in the form actually issued, had they received full information about the situation.

Based on the structure of the facts established, it is difficult to escape the inference that the CEO intentionally downplayed the problem and withheld negative information from the board and, indirectly, the market in order to avoid, *inter alia*, a negative Q2 report.

Consequently, in my opinion, the CEO acted at least negligently in failing to inform the board of the liquidity situation at the 27 August 2010 meeting and prior to the issue of the Q2 report.

Hence, the CEO could be liable in damages if the failure caused loss to the Company.²⁸

12.6 Loss and causation

Due to, *e.g.*, the limitations caused by the Company's financial situation, I have not been able to analyse in depth whether the Company actually suffered a loss from the general negligence of the CEO to follow the instructions from the board as regards reporting or by the negligent failure of the board in procuring trustworthy and adequate financial reports over time. Broadly speaking, it is often fraught with difficulty to establish a causal link between insufficient reporting at the parent company level regarding the situation in the operating subsidiaries and losses caused to the parent company.

²⁸ Chapter 29 Section 1 of the Companies Act.

Whether the lack of adequate reporting contributed to a loss associated with the failure of the Lipinski project is however specifically analysed below.

The lack of proper reporting in relation to the issue of the Q2 report is further discussed in Section 13 below.

13 Q2 report 2010

13.1 Legal framework

13.1.1 *The Swedish Securities Market Act*

Under Chapter 16 Section 6 of the Swedish Securities Market Act (Sw. *lag (2007:528) om värdepappersmarknaden*) (the “SMA”) a company resident in Sweden issuing shares on, *inter alia*, the Warsaw Stock Exchange is required to issue bi-annual reports. Under Chapter 16 Section 10 of the SMA, the bi-annual report shall include a statement from the board that the report gives “an accurate view of the business, position and result of the company and, as the case may be, the group and set out the material risks and uncertainties facing the company and the other companies within the group”.²⁹

13.1.2 *The Swedish Annual Accounts Act*

Under Chapter 9 Section 3 of the Swedish Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*) the bi-annual report shall

“contain information on events of material importance in order to understand the development of the company’s position and result and a description of the material risks and uncertainties facing the company.”

13.1.3 *The Swedish Market Abuse Act*

In addition to the above, any person who acts in a manner that he or she knows, or ought to know, is capable of unduly (a) affecting the market price or any other terms of trading in a financial instrument, or (b) misleading sellers or buyers of such financial instrument, may be guilty of a criminal offence (undue market manipulation under Section 8 of the Market Abuse Act).

This offense does not presuppose that a person has acted with the purpose of misleading the market or that the market has actually been misled. It is sufficient that he or she *ought to have known* that information given was *capable* of misleading. Moreover, the provision covers not only positive statements but also failure to provide information if such omissions are capable of misleading.

²⁹ “[E]n rättvisande översikt av företagets och, i förekommande fall, koncernens verksamhet, ställning och resultat samt beskriver väsentliga risker och osäkerhetsfaktorer som företaget och de företag som ingår i koncernen står inför”.

13.1.4 *Swindle under the Swedish Penal Code*

Anyone who, considering his or her position should have particular knowledge of a company, intentionally or with gross negligence participates in the dissemination of misleading statements to the market which is likely to influence the assessment of the company's financial position and thereby cause loss to the recipients of the information can be held criminally liable for swindle (Sw. *svindleri*) under Chapter 9 Section 9 second paragraph of the Swedish Criminal Code (Sw. *Brottsbalken* (1962:700)).

Board members and CEOs are generally covered by this provision in relation to information provided in respect of their company (or the group in which such company is the parent company).

In distinction to market abuse, swindle presupposes a misleading statement as such (market abuse only requires behaviour capable of misleading). Thus, for this offense a person must have made or participated in making a positive statement which is either incorrect or which is not sufficiently qualified and hence misleading.

13.1.5 *Polish laws and regulations*

It falls outside the scope of my assignment to determine whether the issue of the Q2 report and the actions of the board and the CEO in connection therewith may be in breach of Polish laws and regulations (e.g., the rules of the Warsaw Stock Exchange).

13.1.6 *The Swedish Companies Act*

Under the Companies Act a member of the board of directors and a managing director (CEO) may under certain circumstances incur personal liability in damages.

Directors' liability to the *company* itself is governed by chapter 29 Section 1 of the Companies Act. According to this provision, a director can be liable in damages to third parties (including creditors) for losses that he/she in the performance of his/her duty, intentionally or negligently causes.

Under the second paragraph of the provision, a director can also be liable towards *shareholders* of the company and others, provided that the loss is caused by a breach of (i) the Companies Act, (ii) the legislation concerning annual reports, or (iii) the company's articles of association.

The effect of these provisions is that a director who has acted in breach of express obligations in the Companies Act or in the Annual Accounts Act

that impose obligations on such director will normally be liable for any loss caused to both the Company and its shareholders (except, possibly, if the loss has affected all shareholders equally).

However, a director may also be liable towards the company if it does not breach any such provision but acts in breach of the general duties of care and loyalty that are incumbent of such director in his capacity as director.³⁰ While this entails a more “free” assessment of negligence, breach of general norms will be of paramount importance in assessing negligence. Hence, it could be said that negligence will be presumed on the part of a director if such director acts in breach of legal norms relevant for his position even if they are not laid down in the Companies Act and the Annual Accounts Act.³¹ Such norms include, *e.g.*, the Securities Market Act, stock exchange regulations, regulations issued by the Swedish Financial Supervisory Authority and good stock market practice.

13.2 The contents of the Q2 report

The Q2 report for 2010, see Appendix 5, was made public on 31 August 2010.

In the report, there is a quote from the CEO, Gösta Gustafsson.³²

“As earlier communicated in our annual report, two projects, Reinhold Lipinski and Reinhold Jerozolimskie 61, were sold to a German real estate fund. The projects were sold with what is known as Forward Funding, which means that the Group completes the building work and cleans up the site before the handover takes place. Our project Reinhold Center has been let to approx. 90%.

Since we see a growing demand for housing as a result of the economic recovery and a more generous borrowing policy by the banks we decided to re-start one of our projects, Reinhold Przyjaźni, that we freezed during the crisis. We are constantly looking at the projects we put on hold to see whether they can be re-started, either by ourselves or together with partners.

The improved credit situation has improved our ability to finance the projects and we have also, as the financial statements show, been able to repay some of our debt.

It is mine and the boards firm belief that we have the worst times behind us and the profits in front of us.”

³⁰ See Stattin, *Företagsstyrning*, 2 ed., p. 352 *et seq.*

³¹ See Stattin, *Företagsstyrning*, 2 ed., p. 359 *et seq.*

³² The fact that it is a quote from the CEO does not mean that he is solely responsible for the contents of such statement. The board’s general responsibility for the content of the report covers also such statement.

Under the heading “Significant risks and uncertainty factors”, the report included the following statement.

“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 financial risks relate to the capital requirements of Reinhold's different operations.”

Under “Operational risks”, the report stated the following.

“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. *[Italics added.]*”

The reports also included some further risk factors.

“Financial risks

Through its business operations Reinhold is exposed to financial risks. The principal risks are interest-rate, currency risks and financing risk.

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 EUR while the operating currency in projects in Poland is PLN.

Financing risk

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

The consolidated accounts in the report included earned and projected income from and costs associated with the Lipinski project.

Consequently, the Group accounted also for additional purchase price payments that the board *estimated* that RPP 3 and RPP 5 would receive from Union. This methodology was based on IAS 18 which in its Section IAS 18.14 provides that revenue arising from the sale of goods shall be recognised when:

- (a) the seller has transferred to the buyer the significant risks and rewards of ownership,

- (b) the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- (c) the amount of revenue can be measured reliably,
- (d) it is probable that the economic benefits associated with the transaction will flow to the seller, and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In this particular case the directors had to assess whether it was “probable” that the projects would actually be completed and also to estimate the level of letting and hence the level of the additional purchase price payable from Union. E&Y assisted the Company in drawing up the Q2 report, but the input on these two pertinent questions was based on discussions between the CEO and E&Y. According to E&Y’s notes, the CEO reported that he and Maciej Gotkiewicz agreed on the estimate.

13.3 Assessment

13.3.1 General

A first question that arises is whether it was wrong to recognise the projected future revenue from the Lipinski project and whether the profit and loss account in the report was consequently also wrong.

At this time, RPP 3 and RPP 5 lacked liquidity to conclude the projects and had no tangible indications that it would receive funding from other sources. The completion of the projects was therefore – objectively speaking – uncertain. With the knowledge of hindsight one can conclude that the situation at the end of August was in fact never remedied and the project was consequently not completed and the revenue never earned. However, whether the recognition of revenue was in accordance with GAAP should be determined on the basis of the full information available *at the time of preparation of the Q2-report*, not on the basis of hindsight. At this time, there were no doubt delays in the project and a serious lack of liquidity. On the other hand, Union had at this time not raised any major concerns to RPP 3 and RPP 5. Without the ability to consult accounting expertise on this issue I refrain from taking any position as to whether it was correct to recognise the projected future revenue in the Q2 report.

In any event, it is not necessary for the purpose of this report to take a position as to whether the recognition of the future revenue – *per se* – in

the Q2 report conformed to GAAP. The Q2 report was clearly flawed and contravened GAAP in another, yet related respect.

The Lipinski project was virtually the only source of income and liquidity for the group and thereby crucial to the financial position of the entire group. However, the estimate of ultimate income from the projects obviously presupposed that the projects would be duly completed. Hence, both under the SMA and the Annual Accounts Act, the Company was obliged to disclose any “material uncertainties” in the ability of the Company to ultimately secure the income and profit from the this important project.

The successful completion of the project was incumbent on RPP 3 and RPP 5 having sufficient liquidity to pay its contractors and absorb any cost overrun. At this time, however, there was considerable uncertainty as to whether the group would be able to secure the necessary cash to complete the projects. Moreover, RPP 3 and RPP 5 were jeopardising the project by defaulting the agreement with Union by failing to pay their contractors. Additionally, the Polish companies had suffered severe liquidity problems during the summer of 2010 that had resulted in them being on the brink of insolvency as of 31 August 2010.

Hence, the troublesome liquidity situation clearly represented “a material risk and uncertainty” in regard to the group companies being able to successfully complete its single most important project, to secure the reported income and profits and to ultimately survive as going concerns. As it turned out, the liquidity problem that crystallised in July/August was the cause of Union’s termination and hence the loss of the profit meant to be made on the Lipinski project.

The report did not highlight any problems with the Lipinski project in general or with regard to liquidity specifically. Nor did it highlight that the income reported was not yet “earned” contractually from Union and that earning the income was contingent on RPP 3’s and RPP 5’s ability to pay its contractors and complete the project in time.

Liquidity risks were only described in very generic and boiler-plate like language.³³ Rather, the CEO described the “credit situation” as having been “improved” and the ability to finance the projects as improved. Moreover, the CEO stated that the group “has been able to repay some of its debt”, giving the impression that this was a *choice* and not a

³³ Cf. page 3 of the report: “Financing risk is the risk that Reinhold Polska will not be able to raise enough funds to finish the projects.”

requirement. Although, the expression “credit situation” could be read as referring to solidity rather than liquidity, the statement gives the misleading impression that financing of the projects, in the general sense was no concern at the time.

The table over consolidated cash flow showed that the group had a net cash position of some MEUR 1 as at 30 June 2010. This information did not convey the seriousness of the Company’s liquidity situation. Rather, additional information was required to give a fair view of the stressed liquidity situation.

The overall impression conveyed by the report was positive and without qualifications. The CEO’s statement that his and the board’s view was that the worst times were behind the company and the profits would lie ahead captures the general sentiment. This overall impression aggravates the specific failures to highlight the solvency situation and the uncertainty relating to the Lipinski project.

13.4 Non-compliance with Annual Accounts Act

In my opinion, the Q2 report did not meet the standards required in the Annual Accounts Act since it left out information on events of material importance in order to understand the development of the Company’s position and result and a meaningful description of the actual, material risks and uncertainties that faced the Company.³⁴

The responsibility for the non-compliance falls on each member of the board and the CEO.³⁵

13.5 Non-compliance with the SMA

Likewise, the report did not meet the standards required under the SMA since it did not set out the material risks and uncertainties facing the company and the other companies within the group.³⁶

The responsibility for the non-compliance falls on each member of the board and the CEO.³⁷

13.6 Market Abuse

It is reasonably clear that the failure to disclose the dire financial status of the group and the risks facing the group in the Q2 report was capable

³⁴ Chapter 9 Section 3 of the Annual Accounts Act.

³⁵ Chapter 29 Section 1 of the Companies Act.

³⁶ Chapter 16 Section 10 of the SMA.

³⁷ Chapter 29 Section 1 of the Companies Act.

(Sw. *ägnad*) of misleading the market and/or affecting the market price of the Company's shares.

However, in order to classify an action or inaction by a board or CEO as market abuse the action/inaction must be capable of *unduly* affecting the market or the market price. Which types of actions that are to classify as undue in this respect are not entirely clear.³⁸ However, in relation to publishing of misleading information to the market, it is unlikely that such actions could be classified as other than undue.

The CEO no doubt had knowledge of the actual state of affairs. Given this he must have known or should have known that the omitted information was capable of affecting the price of the Company's shares (*i.e.*, "artificially" maintaining the price level). His actions must consequently be classified as at least negligent, which would mean that he could be guilty of market abuse. The same assessment would apply to André Rosberg who had knowledge of the underlying facts concerning the liquidity.

The other board members probably did not have knowledge of the seriousness of the liquidity situation on the date the Q2 report was issued. However, given the monitoring duties of the board and the warning signals at the June board meeting, the conclusion must be that they *should have had* such knowledge and with such knowledge they would have understood or should have understood that the omission would be capable of affecting the market.

Hence, it is difficult to arrive at another conclusion than that these board members were negligent in disseminating misleading information.

In any event, once the board found out the true state of affairs they choose not to correct or qualify the Q2 report. No information regarding the liquidity position was given. It was only on 3 November 2010 – following Union's termination of the PDA – that the Company provided new information to the market. Hence, from 5 September 2010 to 3 November 2010 the board in its entirety failed to correct the misleading information although they seem to have been perfectly clear that the information was misleading.

Consequently, it is likely that the board members are guilty of market abuse.

³⁸ Samuelsson, Cavallin, Afrell & Sjöblom, *lagen om marknadsmissbruk och lagen om anmälningsskyldighet – en kommentar*, 1 ed., p. 5 *et seq.*

13.7 Swindle

It is furthermore possible that the content of the Q2 report could classify as a misleading “statement” (Sw. *uppgift*) under the Swedish Penal Code. In this respect it should, however, be noted that swindle under Chapter 9 Section 9 second paragraph of the Penal Code can only be committed by publishing misleading information and not – as is the case with market abuse – by failing to correct misleading information. Hence, while the facts appear to be such that Gösta Gustafsson and André Rosberg could possibly be said to have acted with intent in publishing misleading information, the same cannot be said for the rest of the board. In relation to Gustafsson and Rosberg it is also uncertain whether the report contains any distinct “statement” (Sw. *uppgift*) that is misleading. Rather, it is the *lack* of statements as to liquidity problems and risks that caused the Q2 report to be flawed and it is doubtful whether this omission can be said to have rendered a distinct positive statement in the report misleading.

Hence, it is doubtful whether Rosberg and Gustafsson could be guilty of swindle, but it cannot be ruled out.

13.8 Damages, loss and causation

The foregoing also means that there is a possibility that persons having traded in the Company’s shares on the basis of the information in the Q2 report and have suffered a loss may have a cause of action in damages against the CEO and one or more of André Rosberg, Waldemar Tevnell, Torgny Krook, Stanislaw Dudzik and Anders Lettström since the CEO and board contravened the Annual Accounts Act.

If any of the actions qualified as a criminal offence, damages could be awarded to a person transacting in the Company’s shares based on such information if a loss was caused by the criminal act. However, each such person would have to show that he or she actually suffered a loss and that the loss was adequately caused by the actions/inactions of the board and the CEO.

14 Evaluation of the failure of the Lipinski project

14.1 General

Following the termination by Union of the contract for Lipinski, the Company reported a loss of EUR 3,000,000 in its consolidated accounts as a direct effect of the termination. I have not made any independent calculation of the Company's loss as a consequence of the termination.

The failure of the Lipinski project was caused to varying degrees by several contributing factors.

14.2 Liquidity

The first and foremost factor causing the failure of the Lipinski project was insufficient liquidity.

Apart from the Lipinski project, there was basically no cash flow generating assets in the group.

Looking at individual companies, the cash flow generated in RPP 3 and RPP 5 from the sale of Lipinski to Union and Union's milestone payments should probably have been sufficient to timely pay the costs and expenses of these companies, including paying contractors at Lipinski on time. However, the liquidity generated in RPP 3 and RPP 5 had to be partly used to finance the fit out at Reinhold Centre (RPP 4) causing a shortage of cash for the Lipinski project.

It is clear that at least from July 2010, the Polish companies did not have sufficient liquidity to pay all their debts as they fell due. Management of the Polish companies and Union has stated that the failure of RPP 3 and RPP 5 to pay contractors in time also caused delays in the project. I have not been able to verify these statements, but certain internal and external correspondence appears to lend some support for this view. Management of the Polish companies appears to have juggled payments to contractors throughout July and August, asking for postponements of payments and making objections to payments to win time. Even small payments became material.

By the end of August 2010, it appears clear that the Polish companies had run out of cash to pay its creditors (contractors in particular). This is quite clear from the excel file attached to Maciej Gotkiewicz's email to Gösta Gustafsson of 5 September 2010, Appendix 8. In the cover email Gotkiewicz states that:

“Worst case scenario is PLN 7,2 m within next 4 weeks, PLN 4,2 m within next 2 weeks.”

Although Gösta Gustafsson procured a new cash injection on 15 September 2010, the liquidity was still not sustainable even in the short term. While Gösta Gustafsson was able to procure new funds for the group on several occasions (19 July, 1 September and 15 September 2010), it seems that the *modus operandi* in all cases was to provide only so much new funds as would solve an already arisen specific liquidity problem with one or more specific invoices.

As Rosberg's letter to Union of 14 October 2010 shows, the cash injection of 15 September 2010 had not provided a lasting solution. There was still a shortage of cash to pay contractors. Worse still, the group was not able to show a convincing source of new funds. Moreover, by failing to pay Pankowski on 15 October 2010 despite that such payment had been postponed under the renegotiated payment schedule with Pankowski just two weeks previously it was evident that RPP 3 and RPP 5 at this time did not have the ability to pay their debts as they fell due.

As the PDA is governed by Polish law and I am not qualified as to Polish law, I cannot form a final opinion as to whether the facts amount to "Insolvency" under the contract. However, I would be very surprised if the conclusion under Polish law would be that the current situation did not meet the "Insolvency" definitions as such definition includes a company's inability to pay debts as they fall due which, on a common sense analysis, is exactly what RPP 3 and RPP 5 said, and by its actions proved, that it could not do. I therefore assume that Union's termination was legally justified. Hence, the liquidity situation caused the termination.

14.3 Organisational issues

The ability to deal with the cash flow situation was made even more difficult by the organisation of the group. All excess cash from Union's payments were transferred from the bank accounts of RPP 3 and RPP 5 to Reinhold Polska B.V. RPP 3, RPP 4 and RPP 5 became wholly dependent on Reinhold Polska B.V. At the same time, the group was organised such that only Gösta Gustafsson could withdraw monies from Reinhold Polska B.V. Thus, any funds at bank accounts at the Reinhold Polska B.V. level were inaccessible to management of the Polish companies.

In addition, no material decisions could be taken in the Polish companies without Gösta Gustafsson. The management of the Polish companies had

been instructed that all material decisions would be taken by him. Gustafsson was at this time the sole director of the Polish companies.

However, it appears clear that Gösta Gustafsson was not actively engaged in the group's operations during summer of 2010. Rather, his focus appears to have been on divesting his shareholding. It is well attested both by several board members and by management that Gösta Gustafsson was extremely difficult to contact at this time.

In addition, despite all of this, it appears that the board of the Company allowed the future of the group to be entirely dependent on Gösta Gustafsson in his capacity as shareholder. Rather than taking control over the fund raising with a view to securing a lasting financing solution, the board seems to have been content with trusting to Gösta Gustafsson to procure new funds from private or related party sources on an *ad hoc* basis as liquidity ran out. The board did not seek to ensure that the group would have the capacity to sustain its operations as a stand alone entity. This is particularly clear from the reaction of the board to the information that the Q2 report was misleading and liquidity had run out. The board hoped Gustafsson would again "fix it".

In all, the organisation of the group, the board's acquiescence coupled with Gösta Gustafsson's sparse activity in this period, lead to an impasse.

14.4 Sacking of management in the Polish companies

The negotiations for the sale of Gösta Gustafsson's shares not only distracted Gösta Gustafsson from his duties for the group. The failed negotiations with Michal Borowski lead to a fall out with Borowski.

In addition, as Gösta Gustafsson was upset at the fact that information concerning the Company had been provided by Maciej Gotkiewicz, Piotr Jaskowski and Agnieszka Stopczynska to Borowski during the course of the negotiations, these people were sacked virtually on the spot in September 2010. This caused further strain to the organisation and increased doubts at Union regarding the ability of RPP 3 and RPP 5 to bring the project to a successful and timely close.

In all, it is not surprising that Union became concerned with the project when so many factors appeared to give the impression that RPP 3 and RPP 5 had lost control over the situation.

Many interviewees also claim that a consequence of these actions was that one or more of these four employees and consultants informed Union of the state of the group and its serious liquidity shortage. This could be

correct. The documentation does not show that Union had voiced any major concerns about the progress of the project prior to mid-September. But from then on Union started to voice serious concerns and stopped payments. It is also clear that Gotkiewicz, Jaskowski and Borowski were subsequently engaged by Union to help Union finish the projects once Union had terminated the PDA. It is however equally plausible that Union received information (also) from Pankowski. In any event, on 28 September 2010, Pankowski informed Union that it had not been paid by RPP 3 and RPP 5. For the purpose of this report, it is also of academic interest only how Union received information about the financial position of RPP 3 and RPP 5 since Union undoubtedly had the right to be informed thereof under the PDA, albeit by RPP 3 and RPP 5. This situation could in any event not in practice be concealed from Union.

14.5 Handling of Union and the PDA

Another contributing factor appears to have been how RPP 3 and RPP 5 managed the PDA and its relations with Union when Union's attention had been attracted to the situation.

The main contact person at RPP 3 and RPP 5 was André Rosberg. Not only was Rosberg, even according to his own view, not competent to manage a project such as Lipinski. He was also absent during a crucial part of it. The person in charge of the operations of the group (as CEO of the Company) and the Polish companies (as director of RPP 3 and RPP 5), Gösta Gustafsson, was unavailable for most part of June-August 2010. Moreover, in September, Gösta Gustafsson caused the Polish companies to sack three central members of management. All of these circumstances contributed to the feeling on the Union side that there was no real control over the project or the group.

The signals sent by Union, starting end of September 2010 were clear. Union was genuinely concerned over the project and repeatedly asked questions about the solvency of RPP 3 and RPP 5 and their ability to pay their contractors. Rosberg and Gustafsson never provided any information or documentation as to the real financial status of RPP 3 and RPP 5 to Union until 14 October 2010, when André Rosberg confirmed Union's concerns that RPP 3 and RPP 5 lacked funds to complete the project (while previously having stated the contrary).

In the 14 October 2010 letter, RPP 3 and RPP 5 mentioned four ways to bridge the liquidity gap. Three of the four suggested solutions were

basically and transparently mere ideas which had not progressed beyond that stage.³⁹ However, RPP 3 and RPP 5 also stated that they would be:

“providing short term loan from our mother company (will be delivered in additional letter).”

Had this suggestion been backed up by some tangible proof that the parent company (whether the reference was to the Company or Reinhold Group) had means to bridge the gap and had also committed itself thereto, there is no way of knowing whether Union would still have terminated the PDA. Indeed, it would not be clear whether it would still have had the right to.

My overall impression from the correspondence and contacts with Union is that it lacked in professionalism. For about a month, RPP 3 and RPP 5 simply denied that there were any issues and advanced quite transparently incorrect legal and factual arguments. At the same time, the inexperienced André Rosberg was sent forward to try to persuade Union that all was under control when, quite obviously, it was not. Once this tactic had been followed for a month, RPP 3 and RPP 5 made a U-turn and confirmed that they indeed had problems, in particular a material shortage of cash. RPP 3 and RPP 5 then asked Union to take comfort from a handful of – for want of a better word – “ideas” as to how the companies would bridge the funding gap.

In summary, the lack of project management and proper staffing, the attempt to temporarily downplay the concerns raised by Union and the attempt not to disclose the liquidity situation followed by the disclosure of the situation without a solution being presented contributed to Union’s belief that RPP 3 and RPP 5 were incapable of bringing the project to a successful close and, consequently, the termination.

14.6 Settlement

Ultimately, as mentioned above in Section 7.5.27, RPP 3 and RPP 5 reached a settlement with Union. I have not been able to review the reasonableness of this settlement given the Company’s financial situation (see above in Section 5.3).

³⁹ RPP 3 and RPP 5 suggested to, *e.g.*, “renegotiate” the value of the works with the general contractor, “examine the possibility” to adopt a contract management approach and “apply” for a new loan.

14.7 Conclusion

The failure of the Lipinski project was a result of a number of contributing factors:

- Insufficient liquidity;
- Lack of information from the CEO to the board concerning liquidity;
- Lack of monitoring of the liquidity situation by the board;
- An inappropriate organisation of the group, both with respect to cash flow management and cash flow reporting and with respect to the dependency on Gösta Gustafsson;
- Lack of appropriate skills in management in Poland for running the project and handling the contacts with Union; and
- The sacking of parts of management.

14.8 Liability and causation

As stated in Section 12.4-12.5 neither the board nor Gösta Gustafsson in his capacity as CEO of the Company can escape serious criticism for how they handled the liquidity issues concerning the Lipinski project. In fact, I have concluded that the board members (Waldemar Tevnell, Anders Lettström, André Rosberg, Stanislav Dudzik and Torgny Krook) and the CEO (Gösta Gustafsson) acted negligently in this respect.

However, that is not the same as to conclude that they are liable for losses caused to the Company in respect of the Lipinski project. In finding any of them liable, a *sine qua non* would be that their actions or inactions caused a loss to the company that would not otherwise have arisen (causation). In other words, the CEO and the directors cannot be liable if the loss would have arisen nevertheless.

If one takes as a starting point the situation in April 2010, the main issue that arises is whether the liquidity problem that ultimately caused the Lipinski project to fail could have been overcome if the CEO and the board had acted differently.

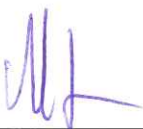
The group had considerable cash at the Company's account with Danske Bank. However, this cash secured the loans extended to the Polish subsidiaries and could therefore not be used to pay expenses in the Polish subsidiaries.

Rather, what the group needed was significant new money by way of equity or by way of loans. I have not been able to analyse in depth whether any such solution was feasible at the time. One of the

contemplated lenders, Noble Bank, pulled out after seeing that there was no collateral left to receive in the Polish companies to secure a new loan. It is therefore, *prima facie*, difficult to conclude that a new loan from an external party was indeed feasible. As for new equity, it is possible that the Company could have been able to raise new equity had such a process been initiated early. However, this is speculative and I have not been able to analyse this issue due to, *inter alia*, financial restraints. Hence, on the basis of the documentation and information available to me I cannot conclude that any negligence of the CEO or the board caused the loss associated with the failure of the Lipinski project. For the avoidance of any misunderstanding, I stress that this does not mean that it can be ruled out that they can be held liable for any loss.

* * *

Stockholm 25 April 2013



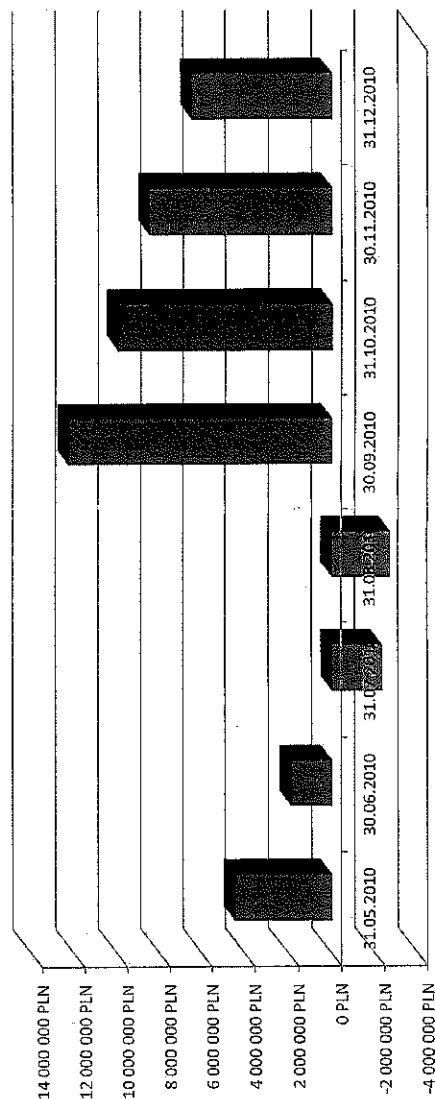
Marcus Johansson

Reinhold

Accumulated cash flow Reinhold Polska

Company	31.05.2010	30.06.2010	31.07.2010	31.08.2010	30.09.2010	31.10.2010	30.11.2010	31.12.2010
Cash balance								
Reinhold Polska Project 3 & 5 accumulated including top ups from leasing	4 027 064 PLN	3 308 359 PLN	1 132 226 PLN	-1 073 904 PLN	14 524 452 PLN	12 349 470 PLN	11 351 230 PLN	9 992 941 PLN
Reinhold Polska Services accumulated	30 000 PLN	-204 522 PLN	-449 044 PLN	-683 566 PLN	-918 088 PLN	-1 152 610 PLN	-1 387 132 PLN	-1 646 654 PLN
Reinhold Polska Project 10 accumulated	567 322 PLN	681 322 PLN	681 322 PLN	681 322 PLN	681 322 PLN	681 322 PLN	681 322 PLN	681 322 PLN
Reinhold Polska Project 4 accumulated	-150 000 PLN	-1 127 000 PLN	-2 889 250 PLN	-3 170 100 PLN	-3 450 950 PLN	-3 613 000 PLN	-3 775 050 PLN	-3 937 100 PLN
Other companies	43 000 PLN	-691 000 PLN	-701 000 PLN	1 703 000 PLN	1 693 000 PLN	2 013 500 PLN	1 951 833 PLN	1 790 167 PLN
Other operating expenditures	0 PLN	-50 000 PLN	-100 000 PLN	-150 000 PLN	-200 000 PLN	-250 000 PLN	-300 000 PLN	-350 000 PLN
TOTAL	4 517 386 PLN	1 917 159 PLN	-2 325 746 PLN	-2 683 248 PLN	12 329 736 PLN	10 028 682 PLN	8 522 203 PLN	6 530 675 PLN

Accumulated cash flow Reinhold Polska



29 June 2010



TECHNICO Facility Engineering Sp. z o.o.

Pl. Prymitywa 6, 03-944 Warszawa, Tel./fax: 022 672 11 93, 022 812 72 42, 022 613 11 74
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NIP 522 04 75 474, REGON 145314511

Sąd Rejonowy dla m.st. Warszawy XII Wydział Gospodarki Krajowego Rejestru Sądowego
KRS 000045528, kapitał zakładowy 510 000 zł

Warsaw 23.07.2010

TO:

Gösta Gustafsson

Reinhold

Västmannagatan 52

113 25 Stockholm

Subject:

Agreement between Reinhold Polska Project 4 Sp. z o.o. and TECHNICO Facility Engineering Sp. z o.o. for PKP cargo fit-out works in REINHOLD Katowice Office Centre dated on 04.05.2010 with following annexes - financial summary

Dear Mr Gustafsson

We are very sorry to inform you about current financial situation between our companies. As a quick briefing, we would like to remind you, that our Company Technico Facility Engineering Sp. z o.o. was a general builder of PKP CARGO fit-out in Reinhold office building in Katowice Korfantego Str. All works has been executed on the basis of agreement between our companies which was sign by both parties on 04.05.2010 in Reinhold office in Warsaw. On the time of agreement being signed off, both parties was fully conscious about how hard will be to fulfill all obligation form the agreement together with the time of delivery the fit-out to your Client - PKP Cargo. Both parties were conscious about very short time for execution and risks which potentially could come out of it.



TECHNICO Facility Engineering Sp. z o.o.

Plac Prymiera 1, 01-010 Warszawa, tel./fax 022 672 97 00, 022 611 72 41, 022 613 11 74
Office@technico.pl, <http://www.technico.pl>

KIP 022-26-25-454 REGON 14314311
Sąd Rejonowy dla m.st. Warszawy XII Wydział Gospodarczy Krajowego Rejestru Sądowego
KRS 000045124, Kapitał zakładowy 51050 zł

We were ensured by your staff that one of the key support and help from Reinhold to Technico in order to achieve our common target will be the payment on time.

That was two and half months ago.

Now we are in the point that all our duties coming from agreement are fulfilled, but from Reinhold side the situation is not that clear as we would like it to be.

Our work, full scope of our agreement was executed and delivered ahead from agreed schedule. All PKP Cargo offices are ready to be accommodated by your Client. We gave you a great support with occupancy permit procedures, which is already in place, so in outline picture - from our side all is done before agreed date. The situation from Reinhold side is a bit different. We have invoiced the substantial part of work on 30.06.2010 (invoice no: 08/06/2010 in value of 4.504.313,69 PLN gross for works in Reinhold Centre in Katowice (PKP-CARGO FIT-OUT). The payment deadline was 21.07.2010. Till now this invoice is not paid. We have been ensured several times (before the deadline came) that all payments will be on time.

Unfortunately this has not happened. Today we have 23.07.2010 and no clear and transparent statement from Reinhold side about when the money will be transferred.

We would like to remind you that 27.07.2010 11.00 am Reinhold is obliged to hand over full scope to PKP CARGO (refer to your agreement with PKP CARGO). From technical and formal side we confirm that we are ready to hand-over tenant space to Reinhold and the same way to your client - PKP CARGO.

Unfortunately, bearing mind all above, we have to inform you that till the money is not paid - the building will be not handed over to Reinhold and the same to your Client - PKP CARGO. We will perform all necessary steps not to allow your Client to even enter the site.

Handwritten signature

2



TECHNICO Facility Engineering Sp. z o.o.

Plac Przymierza 6, 03-944 Warszawa Tel./fax: 022 672 81 06, 022 812 72 42, 022 613 11 74
Office@technico.pl <http://www.technico.pl/>

KRP 573-26-75-474, REGON 015314511

Sąd Rejonowy dla m.st. Warszawy XII Wydz. Gospodarczy Krajowego Rejestru Sądowego
KRS 0000145329, Kapitał zakładowy 51000 zł

Warsaw 23.07.2010

TO:

Reinhold
Västmannagatan 52
113 25 Stockholm

Reinhold Polska Sp. z o.o.
Al. Jerozolimskie 53
00-697 Warsaw

Reinhold Polska Board:

TO : Gösta Gustafsson

CC :

1. Waldemar Tevnell
2. Torgny Krook
3. Lars Johan Andre Rosberg
4. Anders Lettström
5. Stanislaw Dudzik

Subject:

Agreement between Reinhold Polska Project 4 Sp. z o.o. and TECHNICO Facility Engineering Sp. z o.o. for PKP cargo fit-out works in REINHOLD Katowice Office Centre dated on 04.05.2010 with following annexes - financial summary

A handwritten signature in dark ink, appearing to be "Uu".



TECHNICO Facility Engineering Sp. z o.o.

Plac Przewierze 6, 01-914 Warszawa Tel/fax: 022 67 1 81 06, 022 812 22 42, 022 613 11 74
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NIP 522-26-75-474, REGON 015314511

Sąd Rejonowy dla m.st. Warszawy XII Wydział Gospodarczy Krajowego Rejestru Sądowego
KRS 0000145329, kapitał zakładowy 51000 zł

Dear Mr Gösta Gustafsson

We are very sorry to inform you about current financial situation between our companies.

As a quick briefing, we would like to remind you, that our Company Technico Facility Engineering Sp. z o.o. was a general builder of PKP CARGO fit-out in Reinhold office building in Katowice Korfantego Str. All works has been executed on the basis of agreement between our companies which was sign by both parties on 04.05.2010 in Reinhold office in Warsaw. On the time of agreement being signed off, both parties was fully conscious about how hard will be to fulfill all obligation form the agreement together with the time of delivery the fit-out to your Client – PKP Cargo. Both parties were conscious about very short time for execution and risks which potentially could come out of it.

From the history, we have been involved in various Reinhold Projects like:

1. Reinhold Live Style Warsaw (design and execution in ZT Warsaw,)
2. Reinhold Live Style Wroclaw (design)
3. Reinhold Live Style Gliwice (design)
4. Reinhold Medical Centre Wroclaw (design)

All above Live Style Project end up not successfully for us with debt on the level of 897 000 PLN. Formally we resigned from this and we officially reduced our invoicing to 0 PLN. Medical Centre in Wroclaw and Reinhold office building D w Katowice was reduced in half, to the level of 100 000 PLN (Still not paid)



TECHNICO Facility Engineering Sp. z o.o.

Plac Przymierza 6, 03-944 Warszawa Tel/fax 022 872 81 00, 022 812 72 42, 022 813 11 74
Office@technico.pl http://www.technico.pl/

NIP 522 20-75 474, REGON 015314511

Sąd Rejonowy dla m.st. Warszawy XII Wydz. Gospodarczy Krajowego Rejestru Sądowego
KRS 0000145321, kapitał zakładowy 51000 zł

Coming back to Reinhold Katowice - we were ensured by your staff that one of the key support and help from Reinhold to Technico in order to achieve our common target will be the payment on time.

That was two and half months ago.

Now we are in the point that all our duties coming from agreement are fulfilled, but from Reinhold side the situation is not that clear as we would like it to be.

Our work, full scope of our agreement was executed and delivered ahead from agreed schedule. All PKP Cargo offices are ready to be accommodated by your Client. We gave you a great support with occupancy permit procedures, which is already in place, so in outline picture - from our side all is done before agreed date. The situation from Reinhold side is a bit different. We have invoiced the substantial part of work on 30.06.2010 (invoice no: 08/06/2010 in value of 4.504.313,69 PLN gross for works in Reinhold Centre in Katowice (PKP CARGO FIT-OUT)). The payment deadline was 21.07.2010. Till now this invoice is not paid. We have been ensured several times (before the deadline came) that all payments will be on time.

Unfortunately this has not happened. Today we have 23.07.2010 and no clear and transparent statement from Reinhold side about when the money will be transferred.

We would like to remind you that 27.07.2010 11.00 am Reinhold is obliged to hand over full scope to PKP CARGO (refer to your agreement with PKP CARGO). From technical and formal side we confirm that we are ready to hand-over tenant space to Reinhold and the same way to your client - PKP CARGO.

Unfortunately, bearing mind all above, we have to inform you that till the money is not paid - the building will be not handed over to Reinhold and the same to your Client -

av



TECHNICO Facility Engineering Sp. z o.o.

Plac Przymierza 6, 03-944 Warszawa Tel./fax: 022 622 81 06, 022 612 72 42, 022 613 11 74
Office@technico.pl, http://www.technico.pl

MIP 522-26-75-474, REGON 015314511
Sąd Rejonowy dla m.st. Warszawy XII Wydz. Gospodarczy Krajowego Rejestru Sądowego
KRS 000045329, kapitał zakładowy 51000 zł

PKP CARGO. We will perform all necessary steps not to allow your Client to even enter the site.

It is a great disappointment for us that you threat our company in that manner. From our side – we were always fair. During the main construction with Mostostal we had a consultations contract with one of your companies (Rainhold Sp. zo.o.) for the value of 4 183 000 net. All paid on time...

We have always been a reliable partner for your companies.

I'm really very sorry but I will be forced to use every legal steps and tools to receive our money including court and public relations.

I'm expecting your answer or even a phone call on Tuesday 27.07.2010 latest, with your statement and declaration about payment before the handover. Of course I'm expecting not only declaration but the payment too.

Kind regards

Technico Facility Engineering Sp. z o.o.
WICEPREZES ZARZADU
Marcin Olszewski

TECHNICO
Facility Engineering Sp. z o.o.
Plac Przymierza 6, 03-944 Warszawa
MIP 522-26-75-474, REGON 015314511

Technico Facility Engineering Sp. z o.o.
PREZES ZARZADU
Dawid Mitobędzki

du

Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

Miejsce Wystawienia: **WARSZAWA**
Data Wystawienia: **11.05.2009**

FAKTURA VAT NR 02/2009/TECH

ORIGINAL/KOPIA

miejsce wystawienia: **Warszawa**
data wystawienia: **2009-05-11**
data sprzedaży: **2009-05-11**

forma płatności: **przelew**
termin płatności: **21 dni**

SPRZEDAWCA/ Seller:

Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

NABYWCA/ Buyer:

Technico Facility Engineering Sp. z o.o.
Plac Przymierza 6
03-944 Warszawa
NIP: 522-26-75-474

Rachunek bankowy: Bank DnB NORO Polska S.A.
konto: 20 2190 0002 3090 0046 2444 0101

NAZWA USŁUGI /TOWARU	ILOŚĆ /SZT.	CENA JED. NETTO PLN	WARTOŚĆ NETTO PLN	VAT %	KWOTA VAT	WARTOŚĆ BRUTTO
1. Zaliczka zgodnie z umową o świadczenie usług doradczych z dnia 17 grudnia 2008 roku część II/ Advance payment according to the contract on consultancy services concluded on 17 December 2008- part 2	1	80 000,00	80 000,00	22%	17 600,00	97 600,00
			80 000,00	X	17 600,00	97 600,00
DO ZAPŁATY : 97 600,00			80 000,00	22%	17 600,00	97 600,00
SŁOWNIE : dziewięćdziesiąt siedem tysięcy sześćset złotych 00/100				7%		
				0%		
				ZW		
				NP		

Reinhold Sp. z o.o.
00-526 Warszawa, ul. Krucza 16/22
NIP: 701-00-38-717, REGON: 140482970

Reinhold Sp. z o.o.
Marta Mazurek
Samodzielna księgowa

podpis osoby upoważnionej
do wystawienia faktury
signature of the person authorized
to issue an invoice

podpis osoby upoważnionej
do odbioru faktury
signature of the person authorized to receive
invoice

Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

Miejsce Wystawienia: WARSZAWA
Data Wystawienia: 01.07.2009

FAKTURA VAT NR 03/2009/TECH

ORYGINAL/ ~~DUPELikat~~

miejsce wystawienia: Warszawa
data wystawienia: 01.07.2009
data sprzedaży: 01.07.2009

forma płatności: przelew
termin płatności: 21 dni

SPRZEDAWCA/ Seller:

Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

NABYWCA/ Buyer:

Technico Facility Engineering Sp. z o.o.
Plac Przymierza 6
03-944 Warszawa
NIP: 522-26-75-474

Rachunek bankowy: Bank DnB NORD Polska S.A.
konto: 20 2190 0002 3000 0046 2444 0101

NAZWA USŁUGI /TOWARU	ILOŚĆ/ SZT.	CENA JED. NETTO PLN	WARTOŚĆ NETTO PLN	VAT-%	KWOTA VAT	WARTOŚĆ BRUTTO
1. Zaliczka zgodnie z umową o świadczenie usług doradczych z dnia 17 grudnia 2008 roku- część III/ Advance payment according to the contract on consultancy services concluded on 17 December 2008- part 3	1	300 000,00	300 000,00	22%	66 000,00	366 000,00
			300 000,00	X	66 000,00	366 000,00
DO ZAPŁATY: 366 000,00			300 000,00	22%	66 000,00	366 000,00
SŁOWNIE : trzysta sześćdziesiąt sześć tysięcy 00/100 złotych				7%		
				0%		
				ZW		
				NP		

Reinhold Sp. z o.o.
00-526 Warszawa, ul. Krucza 16/22
NIP: 701-00-38-717, REGON: 140602970

Marta Mazurek

Samodzielną Księgową

podpis osoby upoważnionej
do wystawienia faktury
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Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

Miejsce Wystawienia: **WARSZAWA**
Data Wystawienia: **31.07.2009**

FAKTURA VAT NR 04/2009/TECH

ORYGINAŁ/ KOPIA

miejsce wystawienia: **Warszawa**
data wystawienia: **31.07.2009**
data sprzedaży: **31.07.2009**

forma płatności: **przelew**
termin płatności: **21 dni**

SPRZEDAWCA/ Seller:

Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

NABYWCA/ Buyer :

Technico Facility Engineering Sp. z o.o.
Plac Przymierza 6
03-944 Warszawa
NIP: 522-26-75-474

Rachunek bankowy: Bank DnB NORD Polska S.A.
konto: 20 2190 0002 3000 0046 2444 0101

NAZWA USŁUGI /TOWARU	ILOŚĆ/ SZT.	CENA JED.NETTO PLN	WARTOŚĆ NETTO PLN	VAT %	KWOTA VAT	WARTOŚĆ BRUTTO
1 Zaliczka zgodnie z umową o świadczenie usług doradczych z dnia 17 grudnia 2008 roku- część IV/ Advance payment according to the contract on consultancy services concluded on 17 December 2008- part 4	1	400 000,00	400 000,00	22%	88 000,00	488 000,00
DO ZAPŁATY : 488 000,00			400 000,00	X	88 000,00	488 000,00
SŁOWNIE : czteryście osiemdziesiąt osiem tysięcy złotych 00/100			400 000,00	22%	88 000,00	488 000,00
				7%		
				0%		
				ZW		
				NP		

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signature of the person authorized to receive
invoice

Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

Miejsce Wystawienia: **WARSZAWA**
Data Wystawienia: **30-09-2009**

FAKTURA VAT NR 05/2009/TECH

ORYGINAŁ/ KOPIA

miejsce wystawienia: **Warszawa**
data wystawienia: **30-09-2009**
data sprzedaży: **30-09-2009**

forma płatności: **przelew**
termin płatności: **21 dni**

SPRZEDAWCA/ Seller:

Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

NABYWCA/ Buyer:

Technico Facility Engineering Sp. z o.o.
Plac Przymierza 6
03-944 Warszawa
NIP: 522-26-75-474

Rachunek bankowy: Bank DnB NORD Polska S.A.
konto: 20 2190 0002 3000 0046 2444 0101

NAZWA USŁUGI /TOWARU	IŁOŚĆ/ SZT.	CENA JED.NETTO PLN	WARTOŚĆ NETTO PLN	VAT %	KWOTA VAT	WARTOŚĆ BRUTTO
1 Zaliczka zgodnie z umową o świadczenie usług doradczych z dnia 17 grudnia 2008 roku wraz z aneksami 1 - 18.12.2008; 2 -18.12.2008; 3 - 25.05.2009 - część V/ Advance payment according to the contract on consultancy services concluded on 17 December 2008 including annexes 1 - 18.12.2008; 2 - 18.12.2008; 3 - 25.05.2009 - part V	1	600 000,00	600 000,00	22%	132 000,00	732 000,00
DO ZAPŁATY : 732 000,00			600 000,00	X	132 000,00	732 000,00
SŁOWNIE : siedemset trzydzieści dwa tysiące złotych 00/100			600 000,00	22%	132 000,00	732 000,00
				7%		
				0%		
				ZW		
				NP		

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signature of the person authorized to receive
Invoice

Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

Miejsce Wystawienia: **WARSZAWA**
Data Wystawienia: **21-12-2009**

FAKTURA VAT NR 07/2009/TECH

ORYGINAL/ KOPIA

miejsce wystawienia: **Warszawa**
data wystawienia: **21-12-2009**
data sprzedaży: **21-12-2009**

forma płatności: **przelew**
termin płatności: **21 dni**

SPRZEDAWCA/ Seller:

Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

NABYWCA/ Buyer:

Technico Facility Engineering Sp. z o.o.
Plac Przymierza 6
03-944 Warszawa
NIP: 522-26-75-474

Rachunek bankowy: Bank DnB NORD Polska S.A.
konto: 20 2190 0002 3000 0046 2444 0101

	NAZWA USŁUGI /TOWARU	IŁOŚĆ/ SZT.	CENA JED.NETTO PLN	WARTOŚĆ NETTO PLN	VAT %	KWOTA VAT	WARTOŚĆ BRUTTO
1	Usługi doradcze w zakresie wyceny kosztów elementów projektu architektonicznego, strukturalnego, mechanicznego, elektrycznego w odniesieniu do Projektu- punkt 2 (a) z aneksu nr 3 z dnia 25.05.2009. Zaawansowanie zgodnie z umową o świadczenie usług doradczych z dnia 17 grudnia 2008 roku wraz z aneksami 1 - 18.12.2008; 2 -18.12.2008; 3 - 25.05.2009 <i>Consultancy services of cost of arch, HVAC, electrical point 2 (a) - annex no 3 - 25.05.2009. Progress of Works according to the contract on consultancy services concluded on 17 December 2008 including annexes 1 - 18.12.2008; 2 -</i>	1	500 000,00	500 000,00	22%	110 000,00	610 000,00
				500 000,00	X	110 000,00	610 000,00
DO ZAPŁATY : 610 000,00				500 000,00	22%	110 000,00	610 000,00
SŁOWNIE : sześćset dziesięć tysięcy złotych 00/100					7%		
					0%		
					ZW		
					NP		

podpis osoby upoważnionej
do wystawienia faktury
*signature of the person authorized
to issue an invoice*

podpis osoby upoważnionej
do odbioru faktury
*signature of the person authorized to receive
invoice*

Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

Miejsce Wystawienia: **WARSZAWA**
Data Wystawienia: **30-09-2009**

FAKTURA VAT NR 06/2009/TECH

ORYGINAL/ KOPIA

miejsce wystawienia: **Warszawa**
data wystawienia: **30-09-2009**
data sprzedaży: **30-09-2009**

forma płatności: **przelew**
termin płatności: **21 dni**

SPRZEDAWCA/ Seller:

Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

NABYWCA/ Buyer:

Technico Facility Engineering Sp. z o.o.
Plac Przymierza 6
03-944 Warszawa
NIP: 522-26-75-474

Rachunek bankowy: Bank DnB NORD Polska S.A.
konto: 20 2190 0002 3000 0046 2444 0101

	NAZWA USŁUGI /TOWARU	ILOŚĆ/ SZT.	CENA JED.NETTO PLN	WARTOŚĆ NETTO PLN	VAT %	KWOTA VAT	WARTOŚĆ BRUTTO
1	Usługi doradcze w zakresie infrastruktury zewnętrznej Projektu zgodnie z umową o świadczenie usług doradczych z dnia 17 grudnia 2008 roku wraz z aneksami 1 - 18.12.2008; 2 - 18.12.2008; 3 - 25.05.2009 - część VI/ Consultancy services of external infrastructure, payment according to the contract on consultancy services concluded on 17 December 2008 including annexes 1 - 18.12.2008; 2 - 18.12.2008; 3 -	1	500 000,00	500 000,00	22%	110 000,00	610 000,00
DO ZAPŁATY : 610 000,00				500 000,00	X	110 000,00	610 000,00
SŁOWNIE : sześćset dziesięć tysięcy złotych 00/100				500 000,00	22%	110 000,00	610 000,00
					7%		
					0%		
					ZW		
					NP		

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do wystawienia faktury
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to issue an invoice

podpis osoby upoważnionej
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signature of the person authorized to receive
invoice

Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

Miejsce Wystawienia: **WARSZAWA**
Data Wystawienia: **31-12-2009**

FAKTURA VAT NR 08/2009/TECH

ORYGINAŁ/ KOPIA

miejsce wystawienia: **Warszawa**
data wystawienia: **31-12-2009**
data sprzedaży: **31-12-2009**

forma płatności: **przelew**
termin płatności: **21 dni**

SPRZEDAWCA/ Seller:

Reinhold Sp. z o.o.
ul. Krucza 16/22
00-526 Warszawa
NIP: 701-00-38-717

NABYWCA/ Buyer:

Technico Facility Engineering Sp. z o.o.
Plac Przymierza 6
03-944 Warszawa
NIP: 522-26-75-474

Rachunek bankowy: Bank DnB NORD Polska S.A.
konto: 20 2190 0002 3000 0046 2444 0101

	NAZWA USŁUGI / TOWARU	IŁOŚĆ/ SZT.	CENA JED.NETTO PLN	WARTOŚĆ NETTO PLN	VAT %	KWOTA VAT	WARTOŚĆ BRUTTO
1	Usługi doradcze w zakresie rysunków wykonawczych projektu wykonawczego w odniesieniu do Projektu – punkt 2 (c) z aneksu nr 3 z dnia 25.05.2009. Zaawansowanie zgodnie z umową oświadczenie usług doradczych z dnia 17 grudnia 2008 roku wraz z aneksami 1 - 18.12.2008; 2 - 18.12.2008; 3 - 25.05.2009 <i>Consultancy services of execution design point 2 (c) – annex no 3 – 25.05.2009. Progress of Works according to the contract on consultancy services concluded on 17 December 2008 including annexes 1 - 18.12.2008; 2 - 18.12.2008; 3 - 25.05.2009</i>	1	500 000,00	500 000,00	22%	110 000,00	610 000,00
	Wartość prac/ Value of works			1 500 000,00	22%	330 000,00	1 830 000,00
	Rozliczenie zaliczki/ Clearance of pre-payment			-1 000 000,00	22%	-220 000,00	-1 220 000,00
	Wartość faktury/ Value of invoice			500 000,00	22%	110 000,00	610 000,00
DO ZAPŁATY: 610 000,00				500 000,00	22%	110 000,00	610 000,00
SŁOWNIE : szesćset dziesięć tysięcy złotych 00/100					7%		
					0%		
					ZW		
					NP		

podpis osoby upoważnionej
do wystawienia faktury
*signature of the person authorized
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SEMI-ANNUAL REPORT, JANUARY 1 – JUNE 30, 2010

Second quarter, April - June 2010

- Net sales amounted to 12 895 838 Euro
- Operating income amounted to 2 902 058 Euro
- Earnings after taxes amounted to 924 730 Euro
- Earnings per share amounted to 0.13 Euro
- Cash flow for the period amounted to -6 425 120 Euro

January-June 2010

- Net sales amounted to 42 794 791 Euro
- Operating income amounted to 3 413 644 Euro
- Income after taxes amounted to 3 428 405 Euro
- Earnings per share amounted to 0.49 Euro
- Cash flow for the period amounted to -2 904 543 Euro

Highlight events in Reinhold Polska AB Group, first half 2010

Comments by CEO Gösta Gustafsson

"As earlier communicated in our annual report, two projects, Reinhold Lipinski and Reinhold Jerozolimskie 61, were sold to a German real estate fund. The projects were sold with what is known as Forward Funding, which means that the Group completes the building work and cleans up the site before the handover takes place. Our project Reinhold Center has been let to approx. 90%.

Since we see a growing demand for housing as a result of the economic recovery and a more generous borrowing policy by the banks we decided to re-start one of our projects, Reinhold Przyjaźni, that we froze during the crisis. We are constantly looking at the projects we put on hold to see whether they can be re-started, either by ourselves or together with partners.

The improved credit situation has improved our ability to finance the projects and we have also, as the financial statements show, been able to repay some of our debt.

It is mine and the boards firm belief that we have the worst times behind us and the profits in front of us"

Investments

During Q2 2010 1.8 million Euros have been invested into the projects. No new project has started.

Project portfolio

The strategy of the company is to have a risk split project portfolio. That is why we have purchased projects on different local markets and in different types.

Organization

The company has established a central office in Warsaw and regional offices in Wrocław, Krakow and Katowice. We currently have 22 employees.

The Polish real estate market

The current economic crisis has had a negative effect on the market even though strong signs of recovery are shown everyday. Poland as a country has coped with the crisis much better than others; Poland recorded the best real GDP growth performance among OECD countries in 2009. For 2010 GDP is expected grow 2,5% and 3,1% 2011 according to OECD

The growing economy has impacted the real estate market; the prices as well the transaction volume are rising. Many foreign funds are showing interest for the growing polish market.

Poland has also shown great political stability after the tragic air accident.

Future plans

In accordance with the company's strategy we will focus on bringing the highest value to the shareholders through carrying out projects on existing buildings and new ones in different parts of the real estate market for example: retail, office and residential on all main local markets in central and south Poland. Currently focus is on developing the existing projects.

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 Terenowa	Wrocław	Residential	Fully sold out
Reinhold Lipiński	Warsaw	Retail / Office	Construction process
Reinhold Center	Katowice	Office	Construction process
Reinhold Lipiński Passage	Warsaw	Retail / Office	Construction process
Reinhold Pułaskiego	Katowice	Residential	Building permit obtained
Reinhold Plaza	Kraków	Office / Retail	Building permit pending
Reinhold Karpacka	Wrocław	Residential	Fully sold out
Reinhold Przyjaźni	Wrocław	Residential	Design phase

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

Financial position - Group

Group sales amounts to 42 794 791 (448 276) Euro and the net result is 3 428 405 (-2 831 652) Euro. Liquid assets amounts to 1 090 478 (4 136 445) Euro.

The equity ratio is 31,2% (28.7 %). 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. If they would be netted against each other the solidity would be around 50 %.

The main source for financing in the group is the funds obtained in the new share issue in 2006. These funds have stayed in the mother company. The liquid funds used to secure the external loans are accounted for as other short-term receivables in the Group accounts.

Financial position - Parent company

Sales in the parent company amounts to 15 968 Euro and net result for the year is 129 251 Euro.

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 financial 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.

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 projects.

CONSOLIDATED INCOME STATEMENT

Amounts in Euro		Q2	Q2	JAN-JUNE	JAN-JUNE	JAN-DEC
		APR-JUNE	APR-JUNE	2010	2009	2009
		2010	2009	2010	2009	2009
Net sales						
Net sales	1	12 895 838	401 652	42 794 791	448 276	2 436 731
Gross operating income		12 895 838	401 652	42 794 791	448 276	2 436 731
Cost of goods sold		-8 927 919	-209 102	-37 523 921	-476 846	-4 133 651
Other external costs		-923 247	-415 487	-1 581 158	-766 383	-970 777
Personnel costs		-138 271	-164 750	-268 017	-402 478	-757 759
Depreciation and write-downs of tangible and intangible assets		-4 343	-4 730	-8 051	-10 230	-20 096
Operating income		2 902 058	-392 417	3 413 644	-1 207 611	-3 445 552
Financial items, net		-1 977 328	947 219	14 761	-1 623 992	598 198
Income after financial items		924 730	554 802	3 428 405	-2 831 652	-2 847 354
Tax			0	0	0	0
Income for the period		924 730	554 802	3 428 405	-2 831 652	-2 847 354
Exchange differences on translation of foreign operations		485 655	-141 869	128 312	124 560	-152 084
Other comprehensive income		485 655	-141 869	128 312	124 560	-152 084
Total comprehensive income		1 410 385	412 933	3 556 717	-2 707 092	-2 999 438
Attributable to the equity holders of the parent company						
-Income for the period		924 370	554 802	3 428 405	-2 831 652	-2 847 354
-Other comprehensive income		485 655	-141 869	128 312	124 560	-152 084
Average number of amounts of share		7 000 000	7 000 000	7 000 000	7 000 000	7 000 000
Earnings per share		0.13	0.08	0.49	-0.40	-0.41

CONSOLIDATED BALANCE SHEET

Amounts in EURO		2010-06-30	2009-06-30	2009-12-31
Intangible assets		2 678	8 111	5 153
Tangible assets		22 216	34 657	27 006
Financial assets		938 434	35 908	294 630
Total fixed assets		963 328	78 676	326 789
Properties reported as current assets	2	34 608 720	45 090 602	56 529 844
Short term receivables		42 650 886	25 766 373	27 261 258
Cash and bank balances		1 090 478	4 136 445	4 038 221
Total current assets		78 350 084	74 993 420	87 829 323
TOTAL ASSETS		79 313 412	75 072 096	88 156 112
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		-8 034 948	-11 299 320	-11 591 655
Total equity		24 748 772	21 484 400	21 192 055
Long term liabilities	3	26 488 020	32 532 980	1 003 647
Current liabilities		17 325 255	18 697 222	61 313 051
Accrued expenses and deferred income	4	10 751 365	2 357 493	4 647 359
Total current liabilities		28 076 620	21 054 715	65 960 410
TOTAL EQUITY AND LIABILITIES		79 313 412	75 072 096	88 156 112

Change in consolidated equity

	2010-06-30	2009-06-30	2009-12-31
Opening balance	21 192 055	24 191 492	24 191 492
Total comprehensive income for the period	-3 556 717	-2 707 092	-2 999 437
Total transactions with equity holders	0	0	0
Closing balance	24 748 772	21 484 400	21 192 055

CONSOLIDATED CASH FLOW STATEMENT

Amounts in Euro	Q2 APR-JUN 2010	Q2 APR-JUN 2009	JAN-JUN 2010	JAN-JUN 2009	JAN-DEC 2009
Operating profit/loss	2 902 059	-392 417	3 413 644	-1 207 661	-3 445 552
Adjustments for non-cash items	489 998	-142 143	136 363	134 789	-131 423
Interest received	320 702	41 502	500 011	371 546	709 692
Interest paid	-394 046	-21 787	-442 050	-47 081	-191 151
Income tax paid	0	0	0	0	0
Cash flow from operating activities before working capital changes	3 318 713	-514 845	3 607 968	-748 407	-3 058 434
Changes in properties reported as current assets	641 672	-2 938 899	21 921 124	-5 983 186	-17 422 428
Changes in receivables	-7 121 637	-3 418 373	-15 389 628	3 029 443	1 534 558
Changes in liabilities	425 767	516 608	-11 848 600	199 447	21 684 605
Cash flow after working capital changes	-2 735 485	-6 355 509	-1 709 136	-3 502 703	2 738 301
Purchase of/changes in equipment and property	367 070	-1 779	-34 590	2 470	-256 074
Cash flow after investing activities	-2 368 415	-6 357 288	-1 743 726	-3 500 233	2 482 227
Borrowings/repayment of debt	-4 056 705	7 641 890	-1 160 817	8 108 797	0
Cash flow for the period	-6 425 120	1 284 602	-2 904 543	4 608 564	2 482 227
Cash and cash equivalent at the beginning of the period	9 419 582	1 924 346	4 038 221	1 476 337	1 476 337
Exchange rate differences	-1 903 984	927 496	-43 200	-1 948 456	79 657
Cash and cash equivalent at the end of the period	1 090 478	4 136 445	1 090 478	4 136 445	4 038 221

**CONSOLIDATED
KEY FIGURES**

	Q2 2010	Q1 2010	2009	2008	2007	2006
Amounts in Euro	Apr-Jun	Jan-Mar	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Income statement						
Net sales	12 895 838	29 898 953	2 436 731	405 871	89 117	0
Operating profit/loss	2 902 058	511 585	-3 445 552	-2 095 766	-1 714 488	-310 426
Net profit/loss for the period	924 730	2 503 874	-2 847 354	-8 133 039	-593 863	-130 288
Balance sheet						
Fixed assets	963 328	724 741	326 789	91 376	292 222	1 693
Current assets	78 350 084	80 199 223	87 829 323	69 379 568	70 230 835	33 790 629
Equity	24 748 772	23 338 386	21 192 055	24 191 493	31 977 287	32 652 964
Interest bearing liabilities	41 489 700	46 455 469	57 992 363	43 403 516	33 931 607	899 209
Non-interest bearing liabilities	13 074 940	4 591 373	7 968 047	1 875 936	4 508 218	240 149
Total assets	79 313 412	80 923 963	88 156 112	69 470 945	70 523 057	33 792 322
Financial ratios						
Equity/assets ratio, %	31.2	28.4	24.0	34.8	45.3	96.6
Debt/equity ratio	2.2	2.5	3.2	1.9	1.2	0.0
Profitability ratios						
Return on shareholder's equity, %	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 2009 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).

2010-06-30

	Purchase	Capitalized	Other costs	Total
All projects	9 763 118	3 714 074	21 131 527	<u>34 608 720</u>

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 2010, 395 180 Euro has been capitalized.

Note 3 Long term liabilities

Below is a table listing of interest bearing external loans and their maturity (Euro). Since the group has offset long term liabilities in the project companies with liquid funds in the parent company it has the possibility to re-finance internally if the current credit situation makes it unfavorable to borrow.

Due date	Amount
Within 12 months	15 056 695
Within 1 to 5 year	<u>26 433 005</u>
Total	41 489 700

Note 4 Accrued expenses and deferred income

The company has made a provision of EUR 400 000 to cover expenses that might arise in settling a dispute regarding a project in Poland.

Stockholm August 31th 2010

Tevnell Waldemar
Chairman of the board

Gösta Gustafsson
Chief Executive Officer

Stanislav Dudzik

Anders Lettström

Torgny Krook

André Rosberg

Review report

We have reviewed this report for the period January 1st to June 30th, 2010 for Reinhold Polska AB (publ). The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review. We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, August 31, 2010

Ernst & Young AB

Mikael Ikonen
Authorized Public Accountant
Partner in Charge

Instruktion avseende arbetsfördelning mellan styrelsen och verkställande direktören för

REINHOLD POLSKA AB (publ)
Org. nr. 556706-3713

Detta dokument fastställs av bolagets ordförande och utgör diskussionsunderlag och skall omprövas och fastställas på nytt i samband med konstituerande styrelsesammanträde, efter ordinarie årsstämma 2010.

INSTRUKTION FÖR ARBETSFÖRDELNING MELLAN STYRELSEN OCH VERKSTÄLLANDE DIREKTÖREN I REINHOLD POLSKA AB (publ).

1. STYRELSEN
 - 1.1 Allmänt
 - 1.1.1 Styrelsen svarar för Bolagets organisation och förvaltningen av Bolagets angelägenheter. Därvid skall styrelsen iakttä av ägarna vid var tid utfärdade direktiv. Verkställande direktören skall sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar. Styrelsen skall utöva tillsyn över att den verkställande direktören fullgör sina åliggande.
 - 1.1.2 Styrelsen skall tillse att Bolagets organisation är ändamålsenlig och att bokföringen, medelsförvaltningen och Bolagets övriga ekonomiska förhållanden kontrolleras på ett betryggande sätt. En attestordning skall fastställas och uppdateras vid behov.
 - 1.1.3 Styrelsen skall fastställa verksamhetsplan och erforderliga policys för Bolaget. Styrelsen skall fortlöpande övervaka såväl efterlevnaden av dessa som att de, efter rapport från verkställande direktören, blir föremål för översyn och uppdatering.
 - 1.2 Frågor underställda styrelsen

Verkställande direktören skall förelägga styrelsen följande ärenden för beslut:

 - 1.2.1 Beslut om investering utanför antagen budget.
 - 1.2.2 Förvärv och avyttring av bolag eller rörelsedelar.
 - 1.2.3 Bildande av dotterbolag och kapitalökning i dotterbolag.
 - 1.2.4 Teckning, köp eller försäljning av aktier.
 - 1.2.5 Upptagande av lån och ställande av säkerhet utöver den ram som fastlagts genom antagen policy.

- 1.2.6 Ställande av säkerhet eller utfärdande av garanti för annan.
- 1.2.7 Transaktioner med valutor, ränteinstrument och andra derivatinstrument utöver den ram som fastlagts genom antagen policy.
- 1.2.8 Förvärv eller avyttring av fast egendom eller tomträtt.
- 1.2.9 Genomförande av icke oväsentlig förändring rörande Bolagets försäkring eller försäkringsskydd.
- 1.2.10 Ingående av i Bolagets verksamhet osedvanliga avtal eller uppsägning av sådana avtal.
- 1.2.11 Ingående eller uppsägning av avtal mellan Bolaget och Bolagets ägare eller ägaren närstående fysisk eller juridisk person eller avtal mellan Bolaget och ledande befattningshavare i Bolaget.
- 1.2.12 Inledande av rättegång eller annat motsvarande förfarande av väsentlig betydelse för Bolaget och ingående av förlikning i tvist av väsentlig betydelse för Bolaget.
- 1.2.13 Andra frågor av väsentlig ekonomisk eller annan betydelse för Bolaget och Koncernen.

2. VERKSTÄLLANDE DIREKTÖREN

2.1 Styrelsearbete

- 2.1.1 Verkställande direktören skall ta fram erforderligt informations- och beslutsunderlag inför styrelsemöten samt i övrigt uppfylla sina åliggande sådana de anges i detta dokument. Verkställande direktören ska därtill tillse att samtliga ledamöter erhåller justerade protokoll från styrelsens sammanträde.
- 2.1.2 Verkställande direktören skall fullgöra uppgift som föredragande vid styrelsemöte och skall därvid avge motiverade förslag till beslut. Verkställande direktören äger, där han eller hon finner det lämpligt, delegera uppgiften som föredragande i enskilt ärende till annan person underställd verkställande direktören.

2.2 Rapportering

Verkställande direktören skall tillse att styrelsens ledamöter löpande erhåller all den information som behövs för att följa Bolagets och Koncernens resultat, ställning, likviditet och utveckling i övrigt, varvid skall iaktas bl.a. vad som föreskrivs nedan under rubriken Ekonomisk rapportering.

2.3 Koncernen

Verkställande direktören skall fortlöpande tillse att all nödvändig information om Koncernens ekonomiska ställning och övriga förhållanden av väsentlig betydelse inhämtas från varje bolag inom Koncernen.

- 2.4 Övrigt
- 2.4.1 Verkställande direktören skall – utöver tillämpliga föreskrifter i lag och annan författning – iaktta föreskrifterna i bolagets bolagsordning samt vid var tid utfärdade direktiv från styrelsen. Verkställande direktören ansvarar för att förpliktelse, avtal eller annan rättshandling som bolaget ingår eller företar, blir dokumenterad på ett ändamålsenligt sätt, samt inte står i strid med svenska eller utländska tvingande författningar, däri inbegripet konkurrensrättsliga regler inom EU och liknande regelsystem.
- 2.4.2 Verkställande direktören skall tillse att styrelsens verksamhetsplan, policies och övriga instruktioner följs och skall fortlöpande överväga och ta initiativ till erforderliga ändringar i dessa. Verkställande direktören skall vidare tillse att den av styrelsen godkända attestordningen efterlevs. Verkställande direktören äger inte rätt att attestera egna räkningar och utlägg avseende representation och resor. Dessa skall attesteras av styrelsens ordförande eller vice ordförande. Verkställande direktören skall noggrant iaktta aktiebolagslagens jävsregler.
- 2.4.3 Verkställande direktören ska anställa och entlediga bolagets befattningsinnehavare.
- 2.4.4 Verkställande direktören skall upprätta och underställa styrelsen förslag till väsentliga förändringar beträffande organisation och förelägga styrelsen förslag till erforderliga ändringar. Verkställande direktören anställer personal i enlighet med av styrelsen fastställd organisationsplan och förekommande personalpolicy.
- 2.4.5 Beslut om avslag på begäran om att utfärd handling från Bolaget fattas av verkställande direktören.

EKONOMISK RAPPORTERING

VERKSTÄLLANDE DIREKTÖREN

Verkställande direktören skall tillse att styrelsen löpande erhåller rapportering om utvecklingen av Bolagets och Koncernens verksamhet, däribland utvecklingen av Bolagets och Koncernens resultat, ställning och likviditet jämte prognoser i angivna hänseenden samt information om viktiga händelser, såsom exempelvis uppkomna tvister av betydelse, uppsägning av viktigare avtal, inställelse av betalningar eller uppkomst av annan obeståndssituation hos viktigare avtalspart.

Rapporteringen skall vara av sådan beskaffenhet att styrelsen har möjlighet att göra en välgrundad bedömning av Bolagets och Koncernens ekonomiska situation och övriga väsentliga förhållanden i verksamheten. Vid behov av rapportering mellan styrelsens möten, skall rapportering ske direkt till styrelsens ordförande.

3. BRÅDSKANDE ÅTGÄRDER

- 3.1 Verkställande direktören får utan hinder av vad som anges ovan i denna instruktion utan styrelsens beslut eller bemyndigande vidta åtgärd eller handling som med hänsyn till omfattningen och arten av bolagets verksamhet, är av osedvanlig beskaffenhet eller stor betydelse, om styrelsens beslut eller bemyndigande ej kan avvaktas utan väsentlig olägenhet för bolagets verksamhetsplan. I sådant fall ska styrelsens ledamötet snarast underrättas om åtgärden.

Förslag till styrelsens arbetsordning

Denna arbetsordning gäller för Reinhold Polska AB (organisationsnummer: 556706-3713), nedan benämnd Bolaget, samt dess helägda dotterbolag om styrelsen inte beslutar annat. Bolaget med dotterbolag benämns nedan Koncernen.

Syfte och mål

Verksamhetens mål är att över tid avkasta mer än 15% per år på eget kapital. Detta ska ske genom förädling av fastigheter i Polens mest expansiva regioner. Förädlingsprojekten ska läggas i separata polska aktiebolag (Sp.zo.o) och ägas av Reinhold Polska B.V.

Styrelsens sammankomster

1.1 Konstituerande styrelsemöte

Omedelbart efter ordinarie bolagsstämma skall styrelsen hålla konstituerande sammanträde, varvid bl.a. följande ärenden skall behandlas:

- Val av styrelsens ordförande,
- Utseende av firmatecknare,
- Fastställande av datum för styrelsemöten för tiden fram till nästa ordinarie bolagsstämma,
- Fastställande av styrelsens arbetsordning,
- Fastställande av finanspolicy.

1.2 Ordinarie styrelsemöten

1.2.1 Antal och föredragningspunkter

Utöver det konstituerande mötet skall styrelsen hålla minst 5 möten per kalenderår. Vid vart och ett av dessa möten skall följande ärenden behandlas.

- Genomgång och godkännande av protokollet från föregående styrelsemöte,
- Verkställande direktörens rapport beträffande:
 - i. Avstämning av befintliga projekt avseende tid, budget (inkl. kontraktering), kvalitet samt åsatt marknadsvärde per projektbolag,
 - ii. Avstämning mot budget avseende managementbolaget och övriga overhead-kostnader,
 - iii. Ekonomiska rapporter avseende kassaförvaltningen,

iv. Aktiens marknadsutveckling.

- Övriga frågor av väsentlig betydelse för Bolaget och Koncernen.

Härutöver skall vid de fyra ordinarie styrelsemötena särskilda ärenden behandlas enligt följande:

Februarimöte

- Fjärde kvartalsbokslutet,
- Preliminärt årsbokslut,
- Boksluts kommunique',
- Tema: verksamhetsutveckling.
- Möte med revisorerna.

Marsmöte (ev extra styrelsemöte som kan hållas per capsulam)

- Fastställande av årsredovisning med förvaltningsberättelse,
- Revisionsberättelse,
- Ärenden som kräver beslut eller godkännande av bolagsstämman.

Majmöte

- Första kvartalsbokslutet,
- Tema: omvärlden,
- Affärsplan/verksamhetsplan för kommande räkenskapsår,
- Bolagsstämma.

Augustimöte (extra styrelsemöte som kan hållas per capsulam)

- Andra kvartalsbokslutet,
- Revisionsgranskad halvårsrapport (januari – juni).

Septembermöte

- Fastställande av budget för nästa räkenskapsår.

Novembermöte

- Tredje kvartalsbokslutet,

- Förväntat årsresultat,
- Tema: strategi.

BOLAGSSTÄMMA

Speciell dagordning enligt bolagsordningen.

1.3 Extra möten

För överläggning och beslut i ärenden som inte kan hänskjutas till ordinarie styrelsemöte kan styrelsemöte hållas vid andra tillfällen. Tid och plats för dessa möten fastställs av styrelsens ordförande och verkställande direktören i samråd.

Styrelsemöte kan hållas per telefon. Beslut fattade i sådan ordning skall protokollföras på vanligt sätt enligt vad som anges nedan.

Styrelsemöten kan även avhållas *per capsulam*, varvid protokoll innefattande förslag till beslut upprättas och därefter cirkuleras eller utsändes till var och en av styrelseledamöterna samt till suppleanterna. Protokollet undertecknas av de ordinarie styrelseledamöterna. En förutsättning för avhållande av möte i denna ordning är att samtliga styrelseledamöter biträder de beslut som fattas.

1.4 Kallelse och underlag

Till styrelsemötena skall samtliga styrelseledamöter och, i förekommande fall, suppleanter kallas. Kallelse, förslag till dagordning, eventuella rapporter samt de övriga underlag som ordförande och verkställande direktören bedömer nödvändiga skall utsändas av verkställande direktören senast två veckor före styrelsemötet med möjliga undantag för projektrelaterad information, vilken kan utsändas fram till en vecka före styrelsens möte.

1.5 Förberedelser

Verkställande direktören skall förbereda styrelsemöte genom att utarbeta förslag till dagordning samt framtida rapporter och erforderliga beslutsunderlag. Samråd skall därvid ske med styrelsens ordförande. Inför kallelsen ska styrelseordföranden inhämta eventuella synpunkter på dagordningen från övriga styrelseledamöter. Ordförande ska också gå igenom beslutsunderlaget för att se till att informationen är tillräcklig.

1.6 Protokoll

Ordförande ansvarar för att det vid varje styrelsemöte förs protokoll i nummerföljd. I protokollet skall de beslut som styrelsen har fattat antecknas samt huvudpunkterna i föredragningarna och en sammanfattning av ev. diskussioner.

Protokollet skall undertecknas av sekreteraren och justeras senast vid nästkommande styrelsemöte av den som varit ordförande vid mötet samt av den eller de personer som utsetts till justeringsmän.

Det åligger verkställande direktören att tillse att protokollet med bilagor görs tillgängliga för samtliga styrelseledamöter, styrelsesuppleanter, revisorer och revisorssuppleanter.

1.7 Ordförande för styrelsemöten

Ordförande vid styrelsemötena är styrelsens ordförande, eller vid förfall för denne, styrelsens vice ordförande. Skulle både styrelsens ordförande och vice ordförande ha förfall, skall mötet ledas av den ledamot, som styrelsen vid mötet utser.

1.8 Revisorer

Bolagets revisorer skall ges möjlighet att närvara vid ett styrelsemöte per år.

Arbetsfördelning inom styrelsen

2.1 Ordförande

2.1.1 Allmänt

Det åligger styrelsens ordförande att:

- Genom kontakter med verkställande direktören följa Bolagets och Koncernens utveckling mellan styrelsemötena,
- Tillse att styrelsens ledamöter genom verkställande direktörens försorg fortlöpande får den information som behövs för att kunna följa Bolagets och Koncernens resultat, ställning, likviditet och utveckling i övrigt,
- Vara ordförande på styrelsemötena och tillse att styrelsearbetet sker i enlighet med gällande regler och gott mötesskick, innefattande att bl.a. jävsregler iakttas,
- Att årligen hålla utvecklingssamtal med verkställande direktören,
- Företräda bolaget i frågor som rör ägarstruktur,
- Vid behov medverka vid viktigare externa kontakter,
- Kalla till extra bolagsstämma när så är påkallat med hänsyn till utvecklingen i företaget.

Richard Ramberg

Ämne: Re: Financial situation of Reinhold Polska
Bifogade filer: Bi weekly cash flow_30 08 2010.xlsx

From: **Maciej Gotkiewicz** <mgotkiewicz@gmail.com>

Date: 2010/9/5

Subject: Re: Financial situation of Reinhold Polska

To: kerstin@reinhold.se, gus.gustafsson@reinhold.se, gus@reinhold.se, gus.gustafsson@reinholdpolska.co

Gus,

Last week we had a meeting regarding our financial and liquidity situation. I stressed that according to cash flow that I prepared and presented to you (attached once again), Reinhold Polska requires immediate cash injection and decisiveness of the management in order to be able to proceed with its current operations, keep its liquidity and avoiding bankruptcy. Worst case scenario is 7,2m PLN within next 4 weeks, 4,2 m PLN within next 2 weeks.

Since that, I have not heard anything from you, despite my attempts to get in touch with you.

I want to stress again: there are no funds available within the company, the company cannot pay its outstanding liabilities, there is no short/long term strategy in place and distributed within its key employees, no decisions are taken.

The consequences will be: no progress of Lipinski-Passage construction, no payments from Union Investment (construction and top ups), problems with Reinhold Center cash flow from non existing tenants, no decisions regarding sale of Reinhold Center, problems with banks on RPP1, RPP4 and consequences on RPP6, RPP8 which have mortgages for RPP1 and RPP4, debt collector on Lipinski (Cushman), debt collector on RPP4 (Metropolis), no funds for employees remunerations and other operational costs, overall bankruptcy.

I need your immediate response!

Best regards,

Maciej Gotkiewicz
CFO Reinhold Polska

BI WEEKLY CASH FLOW REINHOLD POLSKA

ASSUMPTIONS:

- debt collector releases blocked amounts on RPP3 and we proceed with NOBLE BANK
- we solve Work Space problem - unleased Space in Passage
- we manage to solve potential problems with Union Investment and tenants (penalties)
- we proceed with sales of Reinhold Center to Cargo

	32 301	adjusted	1-14-09	15-30-09	1-15-10	15-30-10	1-15-11	15-30-11	1-15-12	15-30-12	01-31-01-2011	01-28-02-2011	01-31-03-2011	01-30-04-2011	01-31-05-2011	01-30-06-2011	01-30-06-2011
Opening Cash	71 400	blocked now	End of period	4 250 699	2 219 299	5 659 299	2 389 299	1 019 299	6 900 701	7 190 701	8 800 701	8 230 701	7 940 701	11 750 701	11 560 701	19 370 701	19 980 701
RPP1	1 100		Cash out	4 283 000	3 440 000	3 440 000	2 630 000	2 530 000	630 000	610 000	1 290 000	1 210 000	690 000	590 000	590 000	590 000	10 000
RPP2	1 200 000	blocked now	RPP4 outstanding cost/operational	175 000	80 000	20 000	20 000	20 000									
RPP3 DnB	90 000	blocked now	Lovells	200 000	100 000												
RPP3 PEKAO	9 700		SAMI/IMR	100 000	70 000						100 000	100 000					
RPP4	921		Michał Barowski Issues	60 000													
RPP6	2 200		K&L Gates Lawyers	30 000													
RPP7	4 160		Reinhold Polska Services & AB	250 000	250 000	30 000	250 000	250 000	250 000	250 000	250 000	250 000	250 000	250 000	250 000	250 000	250 000
RPP8	500		Operational costs/liabilities RPP3/5	1 800 000	1 300 000	1 300 000	1 000 000	1 000 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000
RPP9	4 160		Occupiers RPP5														
RPP10	10 000		Tenants RPP 3/5		700 000	340 000	1 600 000	340 000		340 000	340 000	340 000	340 000	340 000	340 000	340 000	340 000
RPP12	600		Interests RPP4		1 500 000	1 500 000	1 000 000	400 000	500 000	500 000	500 000	500 000	500 000	500 000	500 000	500 000	500 000
RPP14	600		Fit Out RPP4														
RPP5	760		DnB refinance														
BV	-		Services/RPP1 outstanding/others	300 000													
AB	-		Noble (interests and comm)		500 000												
			Lawyers DnB	60 000													
			GC Warranty koszt	20 000	20 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000
			Vapiano II Fit Out	60 000	60 000	500 000	500 000	500 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000
			Marketing/Agent fees Lipinski Passage	80 000	80 000												
			Cash in	320 000	6 351 400	5 900 000	3 900 000	3 900 000	8 550 000	900 000	2 900 000	640 000	400 000	4 400 000	400 000	8 400 000	600 000
			Komarnik release														
			Danske/DnB														
			Noble refinance		3 000 000												
			VAT return RPP4		1 200 000				150 000	900 000							
			VAT return RPP3		630 000												
			VAT return Other														
			RPP4 Income Cargo/others	320 000	160 000	160 000	160 000	160 000	160 000	160 000	160 000	160 000	160 000	160 000	160 000	160 000	160 000
			Income Lipinski		240 000	240 000	240 000	240 000	240 000	240 000	240 000	240 000	240 000	240 000	240 000	240 000	240 000
			Deposit Release RPP3/5		2 000 000	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000
			Top Up Payments RPP3/5														
			DnB clearing after 12M														
			Sale of RPP4 net "profit"														

other?