I. Newly-formed Group's business concept and operating strategy

Formation of new Group

With the acquisition of the Issuer's series E and F shares by shareholders of REINO Partners Sp. z o.o. and REINO Dywidenda Plus SA in exchange for 644 shares constituting 50.04% of REINO Partners shares and 171 500 shares constituting 100% of RDPSA shares, a new Group is formed, the concept and operating strategy of which considerably differs from the Company's prior history, thus opening a new chapter for the Issuer's existing shareholders.

REINO Partners Sp. z o.o.

REINO Partners Sp. z o.o., based in Warsaw ("REINO Partners"), is a professional and independent entity that specialises in managing property-market investments and providing strategic and transaction advisory services.

REINO Partners is a private undertaking founded in July 2010 by a group of experts combining expertise in real estate markets (both property development and transactions), investments and capital markets as well as in managing businesses and investment portfolios.

REINO Partners' shareholders and management board members are persons with extensive experience in real estate and investments, including an asset valuer and member of RICS - Royal Institution of Chartered Surveyors.

REINO Partners is a leader in dividend-type investment products based on income-generating commercial properties representing high international standards, addressed to Polish investors, and is an active participant in efforts to bring REIT-type solutions to Polish legislation and the market.

REINO Partners manages a section of the REINO Dywidenda FIZ investment portfolio and a section of the REINO Dywidenda 2 FIZ portfolio, which are invested in three prime office buildings: Kapelanka 42B in Kraków, Malta House in Poznań and Alchemia I in Gdańsk, and acts as adviser in managing a part of the REINO Deweloperski FIZ portfolio, which is invested in the construction of the CU Office complex in Wrocław, along with the investment assets of REINO Dywidenda Plus SA (the first Polish company operating in a REIT-type formula).

The extent of REINO Partners' competences and services related to active management of real estate investments encompasses the entire process, starting with identifying assets, advising on acquisitions and capital raising, through active asset management, to designing and implementing investment exit strategies.

REINO Dywidenda Plus SA

Formed in May 2015 and based in Warsaw, REINO Dywidenda Plus SA ("RDPSA") is a dividend-type commercial real estate company, the initial business model of which reflected the best REIT standards. The Company was intended to benefit from the introduction of regulations concerning REIT-type entities to Poland, especially regulations related to initial public offerings.

Immediately after forming the company, RDPSA, as a minority shareholder and through investment structures based on Luxembourgian and Polish corporate law, participated in the acquisition of two income-generating office properties - Alchemia I in Gdańsk and Malta House in Poznań, worth in total approx. PLN 90 million.

RDPSA acquired an approx. 30% stake in the investment structure created for the purposes of acquiring Alchemia I and approx. 15% stake in the investment structure established in order to acquire Malta House.

Ultimately, due to a lack of Polish regulations addressing REIT, a decision was made to approve an offer that had been received and to sell Alchemia I. Following that transaction, finalised in August 2017 and the proceeds of which were mainly used to buy-back bonds and pay a dividend (so far, amounting to approx. 14% of the capital invested), RDPSA's investment asset portfolio was reduced to a minority stake (approx. 15%) in the investment structure that owns Malta House.

Once 100% of the shares are transferred, the Company will be the only shareholder in RDPSA, and funds from the eventual sale of Malta House will be used to finance the Company's development in line with its business development concept and strategy.

Newly-formed Group's business development concept and strategy

The Issuer's acquisition of majority stakes in REINO Partners and RDPSA, in combination with changes in the Issuer's corporate organs carried out in the previous period and the adoption of new Articles of Association, including a change of the Issuer's name to REINO Capital S.A., constitutes the first stage in building a holding company that will eventually focus on creating and offering investment products and managing investment vehicles on the Polish market and in key foreign jurisdictions across all major asset classes.

In accordance with the law, implementing the aforementioned holding concept will involve the inclusion of licensed entities, especially those with permits for offering securities and managing funds in various asset classes, such as an investment fund company, entity operating in a foreign jurisdiction as Alternative Investment Fund Manager (AIFM), brokerage firm or entity being an agent for an investment firm (AFI).

While emphasising the continued importance of commercial real estate activities, the group will develop its activities and offering of investment products in other asset classes, especially investments in businesses, through private equity or venture capital funds.

The objective of the newly-formed group will also be to become a leader on the investment product distribution market, which is undergoing considerable changes, particularly in respect of the 2014 update of the MiFID directive, commonly known as MiFID II, which establishes detailed rules for the offering of financial instruments in order to enhance investor protection and investment firm transparency (including banks and brokerage firms) and is in effect since January 2018.

It cannot be ruled out that further companies within the group will significantly expand the existing competences, which might considerably increase the value of assets held by the investment vehicles.

In line with the above, the newly-formed group, with the Issuer's dominant position, will strive to become the first business project in Poland focused on vertical and horizontal consolidation of the market by combining traditional and alternative asset class with in-house distribution, which is a novelty among those entities operating in Poland that are independent of banks and insurance firms. This business concept constitutes an essential response to the fundamental changes and systematically growing challenges on the asset management and investment product distribution market, which are resulting from the adoption and subsequent implementation of European regulations such as AIFMD and MiFID II on the Polish market.

With these regulations, the asset management and investment product distribution market is being re-defined in many areas, enhancing investor awareness and reflecting investors' growing expectations in terms of transparency and quality.

This business concept will be implemented in particular through the following activities:

- adding further companies to the group, both licensed entities and those with competences and experience in investing in asset classes other than real estate, especially venture capital,
- creating further investment vehicles, companies and funds on the Polish market and in key foreign jurisdictions in a way that leads to considerable growth in the value of these vehicles' assets, with Group companies serving as managers or management advisers for these vehicles, and with the leading role of REINO Partners and vehicles investing on the real estate market, formed especially in foreign jurisdictions and with a considerable participation of foreign institutional investors,
- creating and developing an in-house sales network for investment products, especially through the addition of a brokerage firm to the Group,
- raising capital, both through capital increases and raising debt capital, especially by issuing bonds,
- expanding the Company's competences as a holding company in a way that leads to a substantial increase in the capabilities for implementing the aforementioned business concept,

- bringing in business partners, especially for joint ventures, who make it possible to achieve objectives in a given area of the Company's and Group's business development, in a way that facilitates achievement of the stated business and financial goals.

The Issuer will aim to be a majority shareholder in all companies of considerable importance to the aforementioned business concept, which is important in terms of both consolidation and control as well as decisive impact on the development of each company's business in line with the entire group's concept and strategy.

The Issuer will be a holding company, the value of which will grow especially through growth in the value of each portfolio company, determined by growth in the value of assets held by investment vehicles for which the portfolio companies serve as managers or advisers in managing their asset portfolios. Aside from growth in the value of stakes in the portfolio companies, dividends paid by subsidiaries will also constitute a key source of revenue for the Issuer.

As a holding company, the Issuer will serve as a shared services centre for all subsidiaries, and the areas of support provided by this centre will result from the competences and operations that are a shared feature of all the subsidiaries, such as legal and compliance, finance and accounting and business development.

Furthermore, the Issuer will serve as investor in investment vehicles for which the portfolio companies serve as manager or asset management adviser, which will lead to additional capital gains and will also entail additional risk factors.

II. Risk factors resulting from change in Company's business and Group's composition

Risk associated with business development strategy

The Company will strive to build a group that includes entities making it possible to reach the target structure and implement a business concept in accordance with which the Group, with the Company's dominant position, will create and offer investment products and manage investment vehicles on the Polish market and in key foreign jurisdictions across all major asset classes.

This particularly entails expanding the group by an in-house investment product distribution network led by a brokerage firm, an entity with competences in investing in businesses (PE and VC funds) and an entity in Polish or foreign jurisdiction acting as Alternative Investment Fund Manager (AIFM).

It should be noted that every strategy carries the risk of failure. There is a risk that some or all of the Company's activities intended to develop the group will not be successful. The Company does not guarantee that this objective will be achieved. Incorrect decisions related to assumptions or strategy may further lead to losses and a lasting decrease in the Company's value, which may have a considerable negative impact on the Company's operations, results, financial situation and growth perspectives.

In order to limit this risk, the Company is monitoring the market and legal environment on an on-going basis, with this analysis constituting the foundation for determining the assumptions and objectives of the Company's business development strategy, and is exercising due diligence in selecting potential investment targets and business partners and in determining business, financial and legal assumptions related to the group's further expansion, based on the opinions, know-how and experience of highly regarded entities. Nonetheless, the Company is unable to guarantee that these activities will be successful and that they will entirely eliminate this risk.

Risks associated with Group companies' operations

In line with the newly-formed group's business development concept and strategy, the group includes or may include entities that specialise in managing investments and investment vehicles in specific asset classes, especially commercial real estate, as well as licensed entities of significance to the process of creating, managing and offering investment products, such as a brokerage firm or investment fund company and/or an alternative investment fund manager (in compliance with AIFMD).

This is related to multiple major risk factors, the most important of which include risk associated with investment performance as well as the legal and financial responsibility of entities serving as managers or advisers in managing investment assets, as well as regulatory risk for entities the operations of which are licensed and strictly supervised by relevant institutions, such as the Polish Financial Supervision Authority and its counterparts in relevant jurisdictions.

These and related risk factors may lead to a temporary or long-term inability of an entity to operate, especially in the event that a permit for a regulated activity is not granted, is limited or is withdrawn, as well as in the event that the scope or scale of business operations significantly declines, understood especially as the value of assets held by investment vehicles for which a given entity within the group serves as manager or adviser on investment asset management.

In order to limit the aforementioned risk factors, in respect of the group's existing and future entities, the Company exercises due diligence in assessing the competences and experience of their key personnel, and introduces, and supervises compliance with, internal procedures and instructions that cover in particular internal control policies and system, internal audit system, risk management policy, compliance system, procedures for investment decisions, system for disclosing and managing conflicts of interest, system for protecting confidential and sensitive information, including information that is a trade secret and inside information in the meaning of MAR.

Furthermore, all of the activities mentioned above and other efforts intended to limit risk factors related to the operations of Group companies will be defined, agreed and implemented by the Company. Nonetheless, the Company is unable to guarantee that these activities will be successful and that they will entirely eliminate this risk.

Risk associated with Group companies that constitute equity investments by the Company

The Company may serve as investor or co-investor in investment vehicles for which Group companies serve as managers or asset management advisers, for example RDPSA, a wholly-owned subsidiary of the Company, in respect of which REINO Partners serves as asset management adviser. This situation offers an opportunity to generate additional income and carries additional risk factors, in particular risk associated with losses on this type of investment in the form of a temporary or permanent loss of value.

To reduce this risk, the Company will make this type of investment only when necessary in a given project in order to generate considerable income by a Group company and only after extensive and comprehensive analysis.

It should be noted that in every investment of this type, analysis will be carried out by a professional Group entity with competences and experience in evaluating investments in the relevant asset class (with these competences and experience being the reason for bringing this entity into the Group). Moreover, both the results of analysis and the investment decisions will each time be aligned with the decisions of other independent entities, especially those meeting professional investor criteria, the effect of which will be the acquisition of a majority stake in the given investment vehicle (typically a 90 - 95% stake). Nonetheless, the Company is unable to guarantee that these activities will be successful and that they will entirely eliminate this risk.

Risks associated with raising and servicing external capital

At various levels of the Group and the ownership structure, the activities of the Company or Group may be financed using external capital, especially in the form of bank credit, loans, bonds and mezzanine finance solutions.

Bank credit, for example, was used in the investment structure formed for the purposes of acquiring the Malta House office property in Poznań, with a minority stake held by RDPSA, a wholly-owned subsidiary of the Company.

Delays in accessing external financing sources, financing terms less favourable than expected or problems with meeting any of the liabilities resulting from bonds, credit or loan agreements may have material negative impact on the scope and schedule of the investment strategy, operations and results of the Company or individual entities within the Group, and especially on the ability to acquire new investment targets and the necessity to exit certain projects earlier, on terms that are worse than expected when the investment was made.

Furthermore, there is a risk that the financial situation of the Company or Group companies deteriorates to a level that makes it impossible to meet their debt-related liabilities. In such an event, the Company may temporarily or permanently incur losses or negatively re-evaluate the balance sheet value of receivables in a way that affects the value of the Company's net assets, which could have material negative impact on the activities, results, financial situation or growth perspectives of the Company and the Group.

In order to reduce this risk, the Company will use debt funding in a way that ensures an appropriate balance between equity and external capital, in particular by using external financing each time only to the extent and on the terms that, from the viewpoint of financial plans devised with due diligence and in accordance with best knowledge, provide a sufficient safety net in terms of risk factors related to the sources of repayment and debt servicing costs. Additionally, the Company will strive to raise debt financing that will provide the Company and Group companies with appropriate flexibility as regards re-financing and early repayment, especially in the event that circumstances of specific investments and financial institutions change. Nonetheless, the Issuer is unable to guarantee that these activities will be successful and that they will entirely eliminate this risk.

Risk associated with activities prior to Group expansion being concentrated on the commercial real estate market

When the Group was being formed in accordance with the new concept and strategy, the activities of Group companies were focused on the commercial real estate market.

Investing on the property market is subject to variable macroeconomic factors and is correlated with the situation in financial markets. Property market mechanisms are to a large extent predictable for professionals therefore the associated threats can be appropriately mitigated. However, there are risks associated with changes in global financial markets and force majeure that can have an impact on the outcome of investments in a manner that is independent of the managers' actions. In addition, the real estate market is a market that is subject to cyclical shifts in supply and demand, faster and slower key processes and the variability of mutual relations and negotiation positions between key market participants: developers, banks, tenants and investors. The cyclical nature of the property rent market has considerable impact on temporary levels of key market parameters that determine investment decisions and results, especially in the short term. These factors may have material adverse impact on the Company's operations, results, financial situation or growth perspectives, especially in a period preceding a further expansion of the Group by adding entities with competences, experience and financial results that are related to operations on markets other than the real estate market.

Risk associated with measuring the Issuer's assets at fair value

In accordance with regulations, the contribution of stakes in REINO Partners and RDPSA to the Company in exchange for new series E and F shares was subject to fair value measurement by an independent statutory auditor. Due to this, goodwill will constitute a significant item on the Company's balance sheet on a consolidated basis.

If the development and results of the companies that were the subject of these contributions will not be in line with measurement assumptions, there is a risk that eventually the value of goodwill related to the fair value of these contributions will be reduced, which may considerably lower the Company's equity on a consolidated basis. As of the writing of this document, this risk especially applies to the measurement of REINO Partners shares, the fair value of which was determined using the discounted cash flows approach, assuming a substantial increase in operational scale and in revenue over a five-year period, which, regardless of being based on on-going business projects at an advanced stage and on circumstances, standards and parameters that are typical for this type of undertaking and business, carries substantial uncertainty.

Both the Company and REINO Partners managers, using their entire know-how and many years of experience, are sparing no effort to achieve, fully or in a large part, the major business objectives that are of key significance to positive verification of the measurement in the future. Nonetheless, the Company is unable to guarantee that these activities will be successful and that they will entirely eliminate this risk, which should be assessed as material.

Risk associated with Luxembourg-based companies' founding agreements, including protection of rights of subsidiary as minority shareholder and exercise of option to buy-back shares

RDPSA, a subsidiary of the Issuer, is a shareholder in associated companies that own or have owned properties that constitute assets of key significance to its value and ability to pay out expected dividends, through Luxembourg special limited partnerships S.C.Sp. (Société en Commandite Spéciale), related to a majority stake in investment funds managed by a foreign business partner. RDPSA's stake in these companies and in Luxembourg limited liability companies S.à r.l. (Société à responsabilité limitée) operating as general partners does not exceed 30%, and 15% in the case of the investment structure established for the purpose of acquiring the Malta House office property in Poznań. A foreign investor with a stake in entities whose investment assets are managed by REINO Partners is assumed to be an investor who joined the projects with the intention to sell as quickly as possible all of its stakes in all parts of the investment structures established in order to acquire the Malta House property and the Alchemia I property in Gdańsk, which was sold in 2017. RDPSA's interests are protected by appropriate provisions in the founding agreements of the S.C.Sp. partnerships. These provisions also grant the Issuer an option to buy back the foreign investor's stake as well as a right of pre-emption whenever the investor decides to exit the investment.

Furthermore, due to the formula of the joint investment, in which the foreign investor (investment funds managed by a foreign business partner) has a passive role within the investment structures established in order to acquire specific properties, and the investor's equity investment was mutually and intentionally classified as short-term, the terms of the foreign investor's exit from the investment, regardless of the moment or form, guarantee a level of income for this investor sufficient to achieve an internal rate of return on investment as specified in the Luxembourg-based companies' agreements. In the case of a joint divestment under adverse market conditions this might have an impact on the rate of return generated by the Issuer, whose share of the profit from the sale of stakes in the Luxembourg-based companies constituting a part of the aforementioned investment structures will be lower in those situations than a share resulting simply from its stake in these companies' equity. Such a situation would result in a loss for the subsidiary that is an investor in these structures, especially companies formed in order to acquire the Malta House office property in Poznań.

The aforementioned entitlements and obligations of key significance to RDPSA achieving its investment targets are contractual in nature, and their performance by the foreign investor is related to a risk that cannot be entirely mitigated based on agreements. Shareholders should also take into account a scenario in which - despite having sufficient cash – the Issuer will not be able to buy out the foreign investor for reasons independent of RDPSA, and also the fact that within the ownership structure established during formation of the Luxembourg-based companies the rights of the Issuer as minority shareholder might not be respected in a manner that safeguards the interests of the Company as the sole shareholder of RDPSA.

To limit the aforementioned risk, RDPSA exercised due diligence in executing the agreements of the Luxembourg-based companies that are part of the investment structures formed in order to acquire properties, protecting the Issuer's interests in as far as this is possible in this type of situation. Nonetheless, it is not possible to completely eliminate risk associated with protecting the interests of RDPSA as minority shareholder, especially in a way that guarantees an expected rate of return, which should be perceived as a material risk factor.

Risk of loss of control over subsidiaries, jointly controlled entities and associates

The Issuer's intention is to be an investor in the subsidiaries, jointly controlled entities and associates forming the Group as part of the Company's business development strategy as a holding company and as equity investments, to the extent and in a manner that ensures effective exercise of control and influence over key decision-making processes at these subsidiaries, jointly controlled entities and associates. In the case of a minority stake and as a result of the actions of other shareholders in such subsidiaries, this control might be reduced. Decisions of the remaining shareholders, who are the Company's partners and hold a majority stake, might diverge from the Company's intentions and as a result reduce the Company's influence over the activities of subsidiaries, jointly controlled entities and associates. Amendments of the articles of association of subsidiaries, jointly controlled entities and associates and contracts executed by subsidiaries, jointly controlled entities and associates might result in a change in investment projects contemplated by these subsidiaries, jointly controlled entities and associates that is incompatible with the Company's strategy. These risks will also materialise if the Company is a majority shareholder in a company that also includes shareholders who are persons of key meaning to business development in a given area, especially in a specific asset class. In such a situation, even exercising the rights of a majority shareholder might not sufficiently protect the Company's interests. These factors might have a material adverse effect on the Company's activities, results, financial situation or growth perspectives.

Risk of corporate oversight failure

The Company's strategy provides for the use of subsidiaries, jointly controlled entities and associates in the case of both competence-related companies of key significance to the holding company's strategy and in the case of equity investments. Effectively implementing business intentions and assumptions and cost control at these companies will require effective supervision by the Company as owner. In the event that corporate oversight will be affected by events independent of the Issuer, this may have an indirect negative impact on net asset value, which could have material negative impact on the Company's activities, results, financial situation or growth perspectives.

In order to limit this risk, key persons will serve on the relevant corporate organs of Group entities.

Risk of legal defects at subsidiaries, jointly controlled entities and associates

Subsidiaries, jointly controlled entities and associates in which the Company has invested, including those of key significance to the holding company's strategy, might be affected by legal defects, for example in the form of a contract concealed by the management board of a subsidiary, jointly controlled entity or associate that gives rise to future liabilities or adverse events that took place in the course of activities of the subsidiary, jointly controlled entity or associate, the effects of which have not been entirely rectified. The disclosure of legal defects at a subsidiary, jointly controlled entity or associate after the acquisition might result in court proceedings or in a substantial loss of value of the subsidiary, jointly controlled entity or associate, which could have material adverse impact on the Company's activities, results, financial situation or growth perspectives.

In order to eliminate the risk of legal defects at subsidiaries, jointly controlled entities and associates, the Company will strive to conduct its investments in a way that gives the Company full knowledge of the given entity's operations in a period preceding the investment, including especially by conducting very detailed due diligence at the potential acquisition target, mainly in legal and financial and tax areas. Nonetheless, the Company is unable to guarantee that these activities will be successful and that they will entirely eliminate this risk.