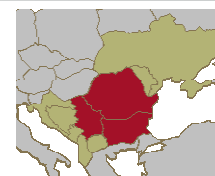


Description

Reconstruction Capital II ("RC2") is a closed-ended, absolute return driven investment fund, incorporated in the Cayman Islands. The fund invests in Private Equity & Listed Securities in South-East Europe. RC2 was admitted to the AIM market of the London Stock Exchange in December 2005 raising €24m initially, with two follow-on offerings in May-06 and Dec-07 raising a further €40m and €71m net of expenses respectively. New Europe Capital Ltd (London) is the investment manager to RC2. New Europe Capital SRL (Bucharest) and New Europe Capital DOO (Belgrade) are the investment advisers to RC2.



Statistics

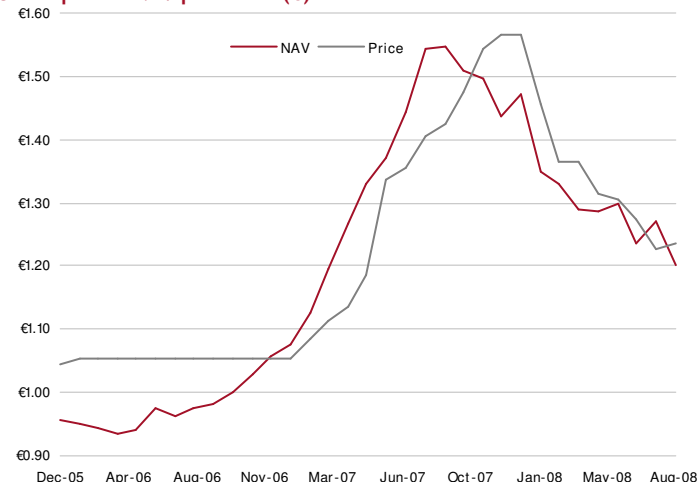
NAV per share (€)	1.2008
Share price (€)	1.2350
Total NAV (€ m)	135.3
Mk Cap (€ m)	139.2
# of shares (m)	112.7
Return since inception	25.54%
12-month CAGR	-22.33%
Annualized Return*	8.90%
Annualized Volatility*	12.44%
Best month	6.93%
Worst month	-8.27%
# of months up	19
# of months down	13

* since inception

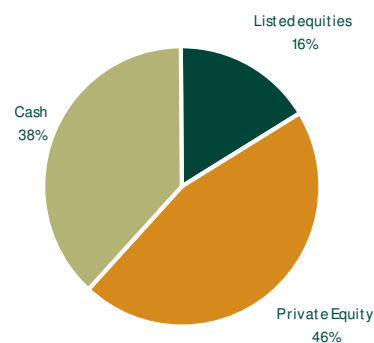
RC2 NAV returns

	2006	2007	2008
Jan	-0.61%	4.70%	-8.27%
Feb	-0.73%	6.17%	-1.48%
Mar	-0.87%	5.90%	-3.03%
Apr	0.44%	5.05%	-0.26%
May	3.73%	3.08%	0.93%
Jun	-1.25%	5.19%	-4.75%
Jul	1.23%	6.93%	2.85%
Aug	0.61%	0.22%	-5.55%
Sep	2.18%	-2.50%	-
Oct	2.74%	-0.69%	-
Nov	2.80%	-4.09%	-
Dec	1.70%	2.46%	-
YTD	12.47%	36.74%	-18.37%

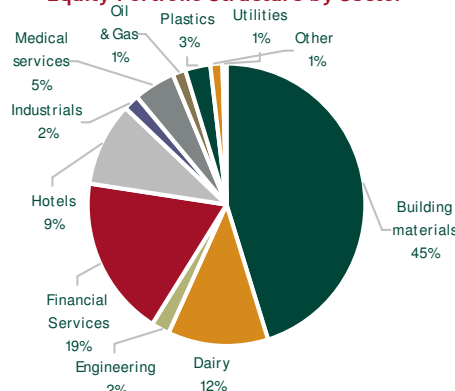
Share price / NAV per share (€)



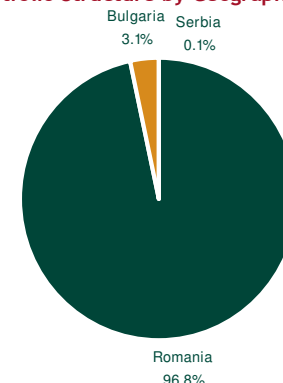
Portfolio Structure by Asset Class



Equity Portfolio Structure by Sector



Portfolio Structure by Geography



Investment Update

- Both Policolor and Orgachim reported higher sales but lower profitability in 1H08: compared to 1H07, Policolor's turnover was up 13% in EUR terms, reaching €27.0m while Orgachim's sales increased by 21% to €34.1m. In terms of profitability, Policolor's net profit was €0.6m, down from €1.7m; Orgachim's net profit fell by 51% to €1.5m, mainly due to higher raw material costs.
- At Albalact, sales in EUR terms were up 8% year-on-year in 1H08, reaching €24.3m. As a result of delays in commissioning parts of the new production facility (which became fully operational only in April '08) and higher raw material expenses, the net profit for 1H08 fell to €0.3m. The company is on track with the investments needed to secure about 13% of its raw milk needs from its own farms, compared to 7% at present.
- Antares Hotels was renamed to Mamaia Resort Hotels in August. Improved occupancy rates and management lifted sales by 37% to €1.5m for the period April-August (year-on-year). Furthermore as a consequence of its franchise agreement, the hotel is now included in the Golden Tulip reservation system (www.goldentulipmamaia.com).

Commentary

- In 2Q08 Romania's economy expanded by an impressive 9.3% year-on-year, one of the highest growth rates in Europe. Over 1H08, GDP grew by 8.8% year-on-year. Also over 1H08, FDI covered 61% of the current account deficit, compared to 38% one year ago. The current account deficit increased by 8.5% year-on-year, which represents a slowdown compared to the growth rate in previous periods.
- As at end of July, inflation started to recede in Serbia, driven by falling food prices. It reached 5.8% year-to-date and 14.9% year-on-year. In August, Romanian inflation fell to 8.0% from July's three-year peak of 9.0%, pushed down by lower service costs. Similarly, Bulgarian CPI was up 11.2% year-on-year, down from the record 15.3% CPI growth in June.
- Both the Romanian RON and the Serbian Dinar (RSD) remained relatively stable against the EUR, whilst the Bulgarian Leva BGN kept its peg to the euro. Over the month, the RON was down by 0.5% but up 1.2% YTD, whereas the RSD gained 0.9% and is now up 3.3% YTD.

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