

29 April 2016

**Reconstruction Capital II Limited (the “Company”)
Annual Report and Audited Consolidated Financial Statements
for the year ended 31 December 2015**

Reconstruction Capital II Limited (“RC2”, the “Company” or the “Group”), a closed-end investment company incorporated in the Cayman Islands admitted to trading on the AIM market of the London Stock Exchange, today announces its results for the year ended 31 December 2015.

Copies of the Company’s annual report will today be posted to shareholders. The annual report is also available to view on the Company’s website <http://www.reconstructioncapital2.com>.

Financial highlights

- The audited net asset value as at 31 December 2015 was EUR0.3736 per share (EUR0.3775 per share as at 31 December 2014), a 1.03% decrease over the year;
- The Directors do not recommend the payment of a dividend.

Operational highlights

Private Equity Programme

RC2 did not make any new investments under its Private Equity Programme, and continued to pursue a number of exits, both from its investee companies as well as from certain assets held by them. The investments held under the Private Equity Programme had a fair value of EUR44.4m at the end of 2015 which was slightly more than the 2014 valuation of EUR44.1m.

Trading Programme

RC2 reduced its positions in listed equities held under its Trading Programme in 2015. At the end of 2015, RC2’s listed equities held under the Trading Programme had a total market value of EUR0.27m (2014: EUR 0.34m). All of the investments held under the Trading Programme were in Romanian equities.

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ADVISER'S REPORT
For the year ended 31 December 2015

On 31 December 2015, Reconstruction Capital II Limited ("RC2") had a total audited net asset value ("NAV") of EUR37.4m or EUR0.3736 per share on an undiluted basis, a 1.03% decrease over the year. The fully diluted NAV per share was EUR0.2847, an increase of 1.24% over the year.

At the end of 2015, RC2 had cash and cash equivalents of EUR1.1m. RC2's borrowings, after allocating EUR0.63m of the proceeds from the convertible loan note to equity reserves in accordance with applicable accounting standards, amounted to EUR8.98m, whilst suppliers' liabilities amounted to EUR0.1m.

Private Equity Programme

Apart from acquiring the 7.69% minority stake in Glasro Holding Limited for EUR0.54m in June 2015, RC2 did not make any new investments under its Private Equity Programme, and continued to pursue a number of exits, both from its investee companies as well as from certain assets held by them.

The investments held under the Private Equity Programme had a total fair value of EUR44.4m at the end of 2015 which was slightly more than the 2014 valuation of EUR44.1m. The increase of EUR2.6m in the market value of the Albalact SA holding to EUR12.3m, and in the valuations of Glasro Holdings Limited and Mamaia Hotels SRL investments by EUR1.1m and EUR0.4m, respectively, were offset by the EUR0.4m and EUR0.6m falls in the valuations of the investments in Top Factoring SRL and Policolor SA, respectively, and the full write-down of the EUR 2.6m equity investment in Klas DOO. In addition to the write off of the equity investment in Klass DOO, a partial provision of EUR0.9m was made against the shareholder loan of EUR 1.5m (including accrued interest).

Based on unaudited management accounts, all four investments in Romania (Policolor SA, Top Factoring SRL and its sister company Glasro Holdings Limited, Mamaia Resort Hotels SRL and Albalact SA) generated positive EBITDA, and in the case of Glasro and Albalact free cash flow in the form of dividends.

Trading Programme

RC2 reduced its positions held under the Trading Programme during the year. At the end of 2015, RC2's listed equities held under this programme had a total market value of EUR0.27m (2014: EUR0.34m). All of the investments held under the Trading Programme were in Romanian equities.

Outlook

Both the Romanian and Bulgarian economies reported increases in GDP during 2015 of 3.7% and 3.0%, respectively, and are expected to continue to grow during 2016. Increased private consumption and recovering investment are expected to be the main drivers for Romania's GDP growth in 2016, whilst Bulgaria is expected to benefit from net exports though private consumption will remain subdued. Serbian GDP is also expected to grow in 2016, having achieved modest 0.8% growth in 2015, with the main drivers being relaxation in monetary policy and increase in external demand.

Events after the reporting period

On 28 January 2016 RC2 announced an agreement to sell its 25.4% holding in Albalact SA to Lactalis for estimated proceeds of EUR16.7m, to be finally determined based on its net debt immediately prior to the completion of the transaction. This represents a premium of approximately 36% over the carrying value of the investment at year-end. The closing of this transaction is subject to the fulfilment of a series of conditions precedent, including favourable clearance by the Romanian Competition Council which is expected by 1 June 2016.

New Europe Capital SRL

INVESTMENT POLICY

Private Equity Programme

Under the Private Equity Programme, the Company takes significant or controlling stakes in companies operating primarily in Romania, Serbia, Bulgaria and neighbouring countries (the “Target Region”). The Company invests in investee companies where it believes New Europe Capital SRL (the “Adviser”) can add value by implementing operational and/or financial restructuring over a 3 to 5 year horizon. The Company only makes an investment under the Private Equity Programme if its Adviser believes there is a clear exit strategy available, such as trade sale, break up and subsequent disposal of different divisions or assets, or flotation on a stock exchange.

Trading Programme

Under the Trading Programme, the Company aims to generate short and medium term returns by investing such portion of its assets as determined by the Directors from time to time in listed equities and fixed income securities, including convertible and other mezzanine instruments, issued by entities in the Target Region. The Trading Programme differs from the Private Equity Programme in the key respect that the Company will typically not take significant or controlling stakes in investee companies and will typically hold investments for shorter periods of time than investments made under the Private Equity Programme.

Value Creation

Under its Private Equity Programme, the Adviser is involved at board level in the investee company to seek to implement operational and financial changes to enhance returns. As part of the Company’s pre-acquisition due diligence, the Adviser seeks to identify specific actions that it believes will create value in the target investee company post acquisition and, where appropriate, seek to work with third party professionals to develop, in combination with the proposed management team of the target, a value creation plan with clear and identifiable short and medium term targets. These plans are likely to address different parts of the business and are tailored to reflect the specific challenges of the relevant target company. The Adviser believes that the investment strategies under the Private Equity and Trading Programme can achieve returns which are different than the returns of the relevant market indices.

Investing Restrictions and Cross-Holdings

The Directors and the Adviser have sought to ensure that the portfolio of investments is sufficiently diversified to spread the risks of those investments. The Investment Strategy does not restrict the Company from investing in other closed-ended funds operating in the Target Region. In line with the Company’s investment policy, the Board does not normally authorise any investment in a single investee company that is greater than 20% of the Company’s net asset value at the time of effecting the investment and in no circumstances will it approve an investment in a single investee company that is greater than 25% of the Company’s net asset value at the time of effecting the investment.

Change of investment objective and policy of the Company

Following the annual general meeting of the Company on 14 December 2012, the investment objective and policy of the Company were amended such that no new investments will be made. Further investments into existing portfolio companies will be permitted in certain circumstances pending their realisation and, following each realisation, all proceeds will be returned to Shareholders after paying outstanding liabilities and setting aside a sufficient amount for working capital purposes.

Gearing

The Company may borrow up to a maximum level of 30% of its gross assets (as defined in its articles).

Distribution Policy

The Company’s investment objective is focused principally on the provision of capital growth. For further details of the Company’s distribution policy, please refer to the Admission Document on the Company’s website.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	2015	2014
	EUR	EUR
Investment income		
(Loss)/gain on revaluation of investments at fair value through profit or loss	(148,934)	4,747,123
Gain on disposal of investments	176,627	-
Interest income	99,583	104,949
Dividend income	2,404,456	1,527,111
Other income	29,232	140,883
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Total investment income	2,560,964	6,520,066
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Expenses		
Impairment on loan receivables	(892,639)	-
Operating expenses	(1,058,837)	(1,405,276)
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Total expenses	(1,951,476)	(1,405,276)
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Operating profit	609,488	5,114,790
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Financial expenses	(977,294)	(889,739)
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(Loss)/profit before taxation	(367,806)	4,225,051
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Income tax expense	(697)	(14,713)
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(Loss)/profit for the year from continuing operations	(368,503)	4,210,338
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Loss for the year from discontinued operations	(43,104)	-
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(Loss)/profit for the year	(411,607)	4,210,338
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Other comprehensive income		
Amounts that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	-	19,129
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Total comprehensive (loss)/income for the year	(411,607)	4,229,467
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(Loss)/profit for the year attributable to:		
- Equity holders of the parent	(371,941)	4,241,776
- Non-controlling interest	(39,666)	(31,438)
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	(411,607)	4,210,338
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Total comprehensive (loss)/income attributable to:		
- Equity holders of the parent	(371,941)	4,243,209
- from continued operations	(368,503)	4,243,209
- from discontinued operations	(3,438)	
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- Non-controlling interest	(39,666)	(13,742)
- from continued operations	-	(13,742)
- from discontinued operations	(39,666)	-
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	(411,607)	4,229,467
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

Total earnings Per Share attributable to the equity shareholders of the Company	2015	2014
	EUR	EUR
Basic undiluted earnings per share	(0.0037)	0.0424
Fully diluted earnings per share	0.0036	0.0270
Continuing operations earnings Per Share attributable to the equity shareholders of the Company	2015	2014
	EUR	EUR
Basic undiluted earnings per share	(0.0037)	0.0424
Fully diluted earnings per share	0.0036	0.0270
Discontinued operations earnings Per Share attributable to the equity shareholders of the Company	2015	2014
	EUR	EUR
Basic undiluted earnings per share	(0.00003)	-
Fully diluted earnings per share	(0.00002)	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	2015	2014
	EUR	EUR
ASSETS		
Non-current assets		
Property, plant and equipment	-	10,518
Financial assets at fair value through profit or loss	44,455,046	44,085,288
Loans receivable	616,709	1,409,796
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Total non-current assets	45,071,755	45,505,602
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Current assets		
Financial assets at fair value through profit or loss	268,591	342,696
Trade and other receivables	37,462	276,274
Cash and cash equivalents	1,083,954	768,606
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Total current assets	1,390,007	1,387,576
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TOTAL ASSETS	46,461,762	46,893,178
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LIABILITIES		
Current liabilities		
Trade and other payables	123,725	847,194
Loans and borrowings	46,490	44,190
Corporation tax payable	-	2,211
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Total current liabilities	170,215	893,595
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Non-current liabilities		
Convertible loan notes	8,934,201	7,976,965
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Total non-current liabilities	8,934,201	7,976,965
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TOTAL LIABILITIES	9,104,416	8,870,560
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NET ASSETS	37,357,346	38,022,618
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2015

	2015	2014
	EUR	EUR
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		
Share capital	1,000,000	1,000,000
Share premium	121,900,310	121,900,310
Retained deficit	(86,172,409)	(85,758,495)
Equity component of convertible loan notes	629,445	629,445
Foreign exchange reserve	-	(26,245)
	37,357,346	37,745,015
Non-controlling interests	-	277,603
TOTAL EQUITY	37,357,346	38,022,618
	2015	2014
	EUR	EUR
Net Asset Value per share		
Basic undiluted net asset value per share	0.3736	0.3775
Fully diluted net asset value per share	0.2847	0.2812

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2015

	2015	2014
	EUR	EUR
Cash flows from operating activities		
(Loss)/profit before taxation	(411,607)	4,225,051
<i>Adjustments for:</i>		
Depreciation and amortisation	-	2,588
Loss/(gain) on revaluation of investments at fair value through profit or loss	148,934	(4,747,123)
Gain on disposal of investments	(176,627)	-
Loss for the year from discontinued operations	43,104	-
Impairment on loans receivable	892,639	-
Interest income	(99,583)	(104,949)
Financial expenses	977,294	889,739
Dividend income	(2,403,759)	(1,527,111)
Net loss on foreign exchange	5,200	-
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Net cash outflow before changes in working capital	(1,024,405)	(1,261,805)
Increase in trade and other receivables	2,043	68,870
Decrease in trade and other payables	(391,140)	(3,990,128)
Purchase of financial assets	(535,000)	-
Sale of financial assets	267,040	-
Interest income received	45	387
Dividends received	2,403,759	1,526,708
Income tax paid	-	(14,666)
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Net cash flows from continuing activities	722,342	(3,670,634)
Net cash flows from discontinued activities	20,296	-
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Net cash used by operating activities	742,638	(3,670,634)
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(2,059)
Proceeds from loans granted to unconsolidated subsidiaries	-	594,943
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Net cash flow generated from investing activities	-	592,884
Cash flows from financing activities		
Payments of loans granted by related parties	-	(4,256,045)
Dividends paid to non-controlling interests	-	(96,864)
Proceeds from the issuance of convertible loan notes	-	8,449,999
Interest paid	(237,274)	(622,255)
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Net cash flow generated from financing activities	(237,274)	3,474,835
Net increase in cash and cash equivalents before currency adjustment	505,364	397,085
Effects of exchange rate differences on cash and cash equivalents	(67,877)	21,379
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Net increase in cash and cash equivalents after currency adjustment	437,487	418,464
Cash and cash equivalents at the beginning of the year	768,606	350,142
Cash and cash equivalents included in discontinued operations	(122,139)	-
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Cash and cash equivalents at the end of the year	1,083,954	768,606