

Reconstruction Capital II Limited ("RC2" or the "Company")

30 September 2011

Interim Unaudited Consolidated Financial Statements for the six months ended 30 June 2011

Reconstruction Capital II Ltd ("RC2" or the "Company"), a closed-end investment company admitted to trading on the AIM market of the London Stock Exchange, today announces its interim results for the six months ended 30 June 2011.

Financial highlights

- Net asset value, excluding non-controlling interest, as at 30 June 2011 was EUR 92.3m, representing EUR 0.9227 per share, a 1.29% fall since the beginning of the year;
- As at 30 June 2011 the Company's market capitalisation was approximately EUR 74.3m, and 100m shares were in issue with a closing share price of EUR 0.7428 per share;
- Loss before taxation for the period ended 30 June 2011 was EUR 0.2m (profit of EUR 8.2m for the period ended 30 June 2010);
- The Directors do not recommend the payment of a dividend.

Operational highlights

- In April 2011, RC2 sold its shareholding in East Point Metals Ltd ("EPM") back to EPH, and in return it received non-core real estate assets from EPH which it is in the process of swapping with the founding shareholders of EPH for additional shareholding in EPH. By the end of June 2011, RC2 had increased its shareholding in EPH from 42.0% to 51.6%.
- Under its Trading Programme, RC2 continued to reduce its exposure to listed markets in the region, and continued to refocus the Group towards its Private Equity Programme by exiting certain listed positions, thereby realising EUR 0.5m in cash proceeds

The financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the European Union. The financial information set out above does not constitute the Company's statutory accounts for the period ended 30 June 2011.

The interim report of the Group for the six months ended 30 June 2011 has been posted to shareholders. Extracts of the financial statements appear below and the full version is available on the Company's website - www.reconstructioncapital2.com

For further information, please contact:

Reconstruction Capital II Limited
Ion Florescu, Ivanka Ivanova
Tel: +44 (0) 20 7244 0088

Grant Thornton Corporate Finance (Nominated Adviser)
Philip Secrett, David Hignell
Tel: +44 (0) 20 7383 5100

LCF Edmond de Rothschild Securities (Broker)
Hiroshi Funaki
Tel: +44 (0) 20 7845 5960

INVESTMENT MANAGER AND INVESTMENT ADVISORS REPORT

Dear Shareholders,

On 30 June 2011, Reconstruction Capital II Limited (“RC2” or the “Group”) had a total unaudited net asset value (“NAV”) of EUR 92.3m after deducting non-controlling interest, or EUR 0.9227 per share, which represents a decrease of EUR 0.0121, or 1.29%, since the beginning of the year.

By comparison, as at 30 June 2011, the published NAV per share was EUR 1.0645, with the difference of EUR 0.1418 deriving from the effects of consolidating Mamaia Hotels SRL, Top Factoring SRL and East Point Holdings Limited (“EPH”). All three investments are booked at fair value when computing RC2’s published net asset value per share.

In April 2011, RC2 sold its shareholding in East Point Metals Ltd (“EPM”) back to EPH, and in return it received non-core real estate assets from EPH which it is in the process of swapping with the founding shareholders of EPH for additional shareholding in EPH. By the end of June 2011, RC2 had increased its shareholding in EPH from 42.0% to 51.6%. Consequently EPH is now consolidated in the accounts of RC2 (note 8).

Under its Trading Programme, RC2 continued to reduce its exposure to listed markets in the region, and continued to refocus the Group towards its Private Equity Programme by exiting certain listed positions, thereby realising EUR 0.5m in cash proceeds.

Yours truly,

New Europe Capital SRL

New Europe Capital DOO

New Europe Capital Limited

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	Six months 30-Jun-11 EUR	Six months 30-Jun-10 EUR	Year ended 31-Dec-10 EUR
Revenue	30,334,857	2,056,398	4,631,539
Cost of Sales	(26,020,344)	-	-
Gross Profit	4,314,513	2,056,398	4,631,539
Investment income			
(Loss) / Gain on investments at fair value through profit or loss	(7,184,966)	9,719,750	11,954,421
Interest income	18,793	22,422	18,237
Dividend income	30,123	4,041	4,082
Other investment income	353,339	118,856	503,154
Total investment income	(6,782,711)	9,865,069	12,479,894
Expenses			
Gain arising on acquisition of controlling interest in subsidiary	(16,112,647)	-	-
Administrative expenses	10,822,622	3,704,199	10,955,345
Selling expenses	1,817,780	-	-
Total expenses	(3,472,245)	3,704,199	10,955,345
Operating profit	1,004,047	8,217,268	6,156,088
Share of profit of associates	17,732	-	-
Interest expense	(1,233,519)	-	-
Profit before taxation	(211,740)	8,217,268	6,156,088
Income tax expense	(608,000)	(199,146)	491,582
Net loss / profit for the period	(819,740)	8,416,414	6,647,670
Other comprehensive income			
Exchange differences on translating foreign operations	1,357,286	(493,300)	87,787
Total comprehensive income for the period	537,546	7,923,114	6,735,457
Net profit for the period attributable to:			
- Equity holders of the parent	3,469,459	8,483,235	6,731,609
- Non-controlling interest	(4,289,199)	(66,821)	(83,939)
	(819,740)	8,416,414	6,647,670
Total comprehensive income attributable to:			
- Equity holders of the parent	4,826,745	7,989,935	6,819,396
- Non-controlling interest	(4,289,199)	(66,821)	(83,939)
	537,546	7,923,114	6,735,457
Basic and diluted earnings per share	0.0347	0.0848	0.0673

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2011

	30-Jun-11	30-Jun-10	31-Dec-10
	EUR	EUR	EUR
	Unaudited	Unaudited	Audited
<u>Assets</u>			
Non-current assets			
Property, plant and equipment	142,925,210	13,923,286	11,588,403
Financial assets at fair value through profit or loss	43,442,739	77,227,760	83,387,381
Available for sale financial assets	515,873	-	-
Investment properties	6,067,947	-	-
Other receivables	2,030,192	-	-
Investments in associates	721,818	-	-
Goodwill	1,257,153	1,257,153	1,257,153
Total non-current assets	196,960,932	92,408,199	96,232,937
Current assets			
Financial assets at fair value through profit or loss	3,063,735	8,850,105	3,711,882
Other financial assets	3,965,211	-	-
Inventories	35,766,855	244,619	181,000
Trade and other receivables	73,946,530	1,403,573	6,607,316
Cash and cash equivalents	16,337,677	3,680,088	812,543
	133,080,008	14,178,385	11,312,741
Non current assets held for sale	4,439,000	-	-
Total current assets	137,519,008	14,178,385	11,312,741
Total assets	334,479,940	106,586,584	107,545,678
<u>Liabilities</u>			
Current liabilities			
Trade and other payables	23,251,817	1,913,945	2,380,538
Loans and borrowings	110,079,842	943,165	2,924,754
Corporation tax payable	359,767	50,293	9,925
Total current liabilities	133,691,426	2,907,403	5,315,217
Non-current liabilities			
Deferred tax	10,987,769	967,102	621,000
Provision – employee retirement	758,926	-	-
Loans and borrowings	25,997,895	1,076,709	1,290,000
Total non-current liabilities	37,744,590	2,043,811	1,911,000
Total liabilities	171,436,016	4,951,214	7,226,217
Total net assets	163,043,924	101,635,370	100,319,461

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2011 (continued)

Capital and reserves attributable to equity holders

Share capital	1,000,000	1,000,000	1,000,000
Share premium reserve	121,900,310	121,900,310	121,900,310
Retained deficit	(25,194,314)	(24,796,845)	(26,548,471)
Foreign exchange reserve	(5,439,872)	(3,457,656)	(2,876,569)
Total equity and reserves	92,266,124	94,645,809	93,475,270
Non-controlling interest	70,777,800	6,989,561	6,844,191
Total equity	163,043,924	101,635,370	100,319,461

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 30 JUNE 2011

	Share Capital EUR	Share Premium EUR	Foreign exchange reserve EUR	Retained Deficit EUR	Sub-total EUR	Non- controlling interest EUR	Total EUR
Balance at 1 January 2010	1,000,000	121,900,310	(2,964,356)	(33,280,080)	86,655,874	7,103,139	93,759,013
Net profit for the period	-	-	-	8,483,235	7,989,935	(66,821)	7,923,114
Other comprehensive income	-	-	(493,300)	-	-	-	-
Total comprehensive income	-	-	(493,300)	8,483,235	7,989,935	(66,821)	7,923,114
Dividends paid to non – controlling interests	-	-	-	-	-	(46,757)	(46,757)
Balance at 30 June 2010	1,000,000	121,900,310	(3,457,656)	(24,796,845)	94,645,809	6,989,561	101,635,370
Net profit for the period	-	-	-	(1,751,626)	(1,751,626)	(17,118)	(1,768,744)
Other comprehensive income	-	-	581,087	-	581,087	-	581,087
Total comprehensive income	-	-	581,087	(1,751,626)	(1,170,539)	(17,118)	1,187,657
Dividends paid to non – controlling interests	-	-	-	-	-	(128,252)	(128,252)
Balance at 31 December 2010	1,000,000	121,900,310	(2, 876,569)	(26,548,471)	93,475,270	6,844,191	100,319,461
Net profit for the period	-	-	-	3,469,459	3,469,459	(4,289,199)	(819,740)
Other comprehensive income	-	-	1,357,286	-	1,357,286	-	1,357,286
Total comprehensive income	-	-	1,357,286	3,469,459	4,826,745	(4,289,199)	537,546
Acquisition of additional interest in subsidiaries	-	-	-	-	-	68,396,929	68,396,929
Disposal of interests in subsidiaries to non – controlling interests	-	-	(3,920,589)	(2,115,302)	(6,035,891)	-	(6,035,891)
Dividends paid to minorities	-	-	-	-	-	(174,121)	(174,121)
Balance at 30 June 2011	1,000,000	121,900,310	(5,439,872)	(25,194,314)	92,266,124	70,777,800	163,043,924

Share premium is stated net of share issue costs.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2011

	30-Jun-11	30-Jun-10	31-Dec-10
	EUR	EUR	EUR
Cash flows from operating activities			
Net profit before tax	(211,740)	8,217,268	6,156,088
<i>Adjustments for:</i>			
Depreciation and amortisation	695,145	469,928	210,991
Impairment	-	-	2,738,000
Gain on financial assets at fair value through profit or loss	7,184,542	(9,612,548)	(11,954,421)
Profit on sale of financial asset	-	-	50,670
Gain on acquisition of subsidiary	(16,112,647)	-	-
(Gain)/ loss on foreign exchange	3,405,193	(212,286)	268,314
Reversal of impairment loss of fixed assets	-	(795,642)	-
Share of profit of associates	(17,732)	-	-
Interest income	(372,132)	(22,422)	(18,237)
Interest expense	1,233,519	-	-
Dividend income	(30,123)	(4,041)	(4,082)
Net cash outflow before changes in working capital	(4,225,975)	(1,959,743)	(2,552,677)
Increase in trade and other receivables	2,939,555	(174,633)	(5,382,625)
Increase/ (decrease) in trade and other payables	(1,602,731)	627,302	1,140,946
(Increase)/ decrease in inventories	2,521,181	(217,619)	(154,000)
Decrease in provision	(40,698)	-	-
Interest received	19,038	22,763	18,957
Dividend received	4,389	48,553	52,466
Payments for purchase of financial assets	-	(2,886,235)	(229,995)
Net proceeds from sale of financial assets	-	3,509,930	5,467,342
Net cash (used in)/ generated by operating activities	(385,241)	(1,029,682)	(1,639,586)
Income tax paid	(58,227)	-	(107,439)
Cash flows from investing activities			
Cash acquired on acquisition of subsidiary	15,307,490	-	-
Sale of property, plant and equipment	-	-	167,741
Purchase of property, plant and equipment	-	(82,779)	(1,086,963)
Purchase of financial assets	(427,907)	(1,559,883)	(8,671,500)
Sale of financial assets	1,494,644	-	3,764,880
	15,930,759	(2,672,344)	(7,572,867)
Cash flows from financing activities			
Dividends paid to minorities	(174,123)	(46,757)	(175,009)
Proceeds from loan	3,951,536	2,019,874	4,527,329
Payments of loan	(4,183,038)	(638,146)	(984,369)
Decrease in cash and cash equivalents	15,525,134	(1,337,373)	(4,204,916)
Cash at beginning of period/ year	812,543	5,017,461	5,017,459
Cash at end of period/ year	16,337,677	3,680,088	812,543