

Reconstruction Capital II Limited (the “Company”)

30 June 2011

Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2010

Reconstruction Capital II Ltd (“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 2010.

Financial highlights

- The audited net asset value as at 31 December 2010 was EUR 93.5m, representing EUR 0.9348 per share (EUR 86.7m or EUR 0.8666 per share as at 31 December 2009);
- As at 31 December 2010 the Company’s market capitalisation was approximately EUR 61m, with a closing price of EUR 0.61 per share;
- Total investment income of EUR 12.5m for the year (EUR 11.0 m in 2009)
- The Directors do not recommend the payment of a dividend.

Operational highlights

The Private Equity Programme

- In April 2010, in exchange for releasing certain claims against EPH’s other shareholders, RC2’s shareholding in EPH increased from 21.3% to 42.0% for no extra consideration.
- In March 2010, RC2 acquired an 11.1% shareholding in Klas DOO (“Klas”), the holding company for EPH’s Bakeries business, for EUR 2.7m.
- In June 2010, RC2 acquired 3.9% of the share capital of Agri Point Ltd (“Agri Point”), another subsidiary of EPH, for EUR 1.6m and a further 5.5% in December 2010 for EUR 2.2m. The Agripoint shareholding, which was governed by a put and call agreement with EPH, was sold back to EPH at year end for EUR 3.8m, in order to enable the disposal of this business to a third party.
- In November 2010, RC2 acquired a 49.9% shareholding in East Point Metals Ltd (“EPM”), the copper processing subsidiary of EPH, for a total consideration of EUR 2.3m.

The Trading Programme

During the year, RC2 exited a number of its Romanian equity positions held under the Trading Programme, thereby generating EUR 5.4m of cash proceeds. At year-end, its listed equities held under the Trading Programme had a total market value of EUR 3.7 million. 99.3% of this was held in Romanian equities, while the balance of 0.7% was held in Serbian equities.

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 in the announcement does not constitute the Company's audited financial statements for the years ended 31 December 2010 or 2009. The financial information for the year ended 31 December 2009 is derived from the audited financial statements for that year.

The audit of the financial statements for the year ended 31 December 2010 is complete. The auditors reported on those accounts; their report was unqualified and did not include references to any matters to which the auditors drew attention to by way of emphasis without qualifying their report.

The annual report and financial statements will be posted to shareholders today and published on its web site (www.reconstructioncapital2.com).

For further information, please contact:

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INVESTMENT MANAGER AND INVESTMENT ADVISORS' REPORT

During the year, Reconstruction Capital II Limited ("RC2" or the "Company") did not make any new investments under its Private Equity Programme, but increased its shareholding in East Point Holdings Limited ("EPH") from 21.3% to 42.0% by exchanging certain claims it had against other shareholders in this company for additional shares. In addition, RC2 exited a number of positions held under its Trading Programme, thereby generating EUR 5.4m in cash.

As at 31 December 2010, RC2 had an audited net asset value ("NAV") per share of EUR 0.9348, representing an increase of 7.87% over the year, mainly as a result of RC2's increased shareholding in EPH.

RC2's audited NAV per share compares to an unaudited published NAV per share of EUR 1.0264 at the end of 2010. The difference of EUR 0.0916 per share is mainly the result of the effects of the consolidation of Mamaia Resort Hotels SRL and Top Factoring SRL in the audited accounts. Both these investments are booked at fair value when computing RC2's unaudited published NAV per share.

Private Equity Programme

In April 2010, in exchange for releasing certain claims against EPH's other shareholders, RC2's shareholding in EPH increased from 21.3% to 42.0% for no extra consideration. In March 2010, RC2 acquired an 11.1% shareholding in Klas DOO ("Klas"), the holding company for EPH's Bakeries business, for EUR 2.7m. In June 2010, RC2 acquired 3.9% of the share capital of Agri Point Ltd ("Agri Point"), another subsidiary of EPH, for EUR 1.6m and a further 5.5% in December 2010 for EUR 2.2m. The Agripoint shareholding, which was governed by a put and call agreement with EPH, was sold back to EPH at year end for EUR 3.8m, in order to enable the disposal of this business to a third party. In November 2010, RC2 acquired a 49.9% shareholding in East Point Metals Ltd ("EPM"), the copper processing subsidiary of EPH, for a total consideration of EUR 2.3m.

Trading Programme

During the year, RC2 exited a number of its Romanian equity positions held under the Trading Programme, thereby generating EUR 5.4m of cash proceeds. At year-end, its listed equities held under the Trading Programme had a total market value of EUR 3.7 million. 99.3% of this was held in Romanian equities, while the balance of 0.7% was held in Serbian equities.

INVESTMENT MANAGER AND INVESTMENT ADVISORS' REPORT (*Continued*)

Outlook

In 2010, Romania, Serbia and Bulgaria, the three countries where RC2 has investments, took strong measures to improve their public sector balances, and Romania in particular had to apply severe fiscal tightening measures, including cutting public sector wages by 25% and increasing the VAT level from 19% to 24% over the summer of 2010, while Serbia implemented a freeze on public sector pensions and wages. Whilst painful in the short term, these measures should help lay the foundations for future economic growth. After a difficult 2010, the economic environment in RC2's three main countries of operation has started to show encouraging signs of improvement in 2011. The economic pattern has been helped by rising exports and increased industrial production, while in return, the trade deficits have improved significantly.

In 2011, RC2 is focussing on the ongoing financial and operational restructuring of EPH and its remaining operating subsidiaries (Agripoint and EDDSG, EPH's River Shipping Business, having been sold at the end of 2010), as well as on growing and preparing for sale the Fund's Romanian Private Equity investments.

New Europe Capital Ltd
New Europe Capital S.R.L.
New Europe Capital DOO

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 its Investment Advisers 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 Investment Advisers believe there is a clear exit strategy available, such as trade sale, break up and subsequent disposal of different divisions or assets, or a 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 Investment Manager is responsible for identifying and executing investments and divestments under the Trading Programme. 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 Investment Advisers are 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 Investment Advisers seek to identify specific actions that they believe 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. Both the Investment Advisers and the Investment Manager believe 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, the Investment Advisers and the Investment Manager will take steps 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 will not normally authorise any investment in a single investee company that is greater than 20 per cent 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 per cent of the Company’s net asset value at the time of effecting the investment.

Gearing

The Company may borrow up to a maximum level of 30 per cent 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 2010**

| | 31-Dec-10 | 31-Dec-09 |
|--|-------------------|-------------------|
| | EUR | EUR |
| Revenue | 4,631,539 | 3,083,961 |
| Total Revenue | 4,631,539 | 3,083,961 |
| Investment income | | |
| Gain on investments at fair value through profit or loss | 11,954,421 | 10,379,006 |
| Interest income | 18,237 | 73,311 |
| Dividend income | 4,082 | 293,312 |
| Other income | 503,154 | 279,591 |
| Total investment income | 12,479,894 | 11,025,220 |
| Expenses | | |
| Operating expenses | 10,955,345 | 8,924,356 |
| Total operating expenses | 10,955,345 | 8,924,356 |
| Profit before taxation | 6,156,088 | 5,184,825 |
| Income tax expense | 491,582 | (1,545,772) |
| Net profit for the year | 6,647,670 | 3,639,053 |
| Other comprehensive income | | |
| Exchange differences on translating foreign operations | 87,787 | (806,210) |
| Total comprehensive income for the year | 6,735,457 | 2,832,843 |
| Net profit for the year attributable to: | | |
| - Equity holders of the parent | 6,731,609 | 3,731,544 |
| - Non-controlling interest | (83,939) | (92,491) |
| | 6,647,670 | 3,639,053 |
| Total comprehensive income attributable to: | | |
| - Equity holders of the parent | 6,819,396 | 2,925,334 |
| - Non-controlling interest | (83,939) | (92,491) |
| | 6,735,457 | 2,832,843 |
| Basic and diluted earnings per share | 0.0673 | 0.0373 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

| | 31-Dec-10 | 31-Dec-09 |
|---|--------------------|-------------------|
| | EUR | EUR |
| <u>Assets</u> | | |
| Non-current assets | | |
| Property, plant and equipment | 11,588,403 | 13,795,880 |
| Financial assets at fair value through profit or loss | 83,387,381 | 61,977,165 |
| Goodwill | 1,257,153 | 1,257,153 |
| Total non-current assets | 96,232,937 | 77,030,198 |
| Current assets | | |
| Financial assets at fair value through profit or loss | 3,711,882 | 13,551,893 |
| Inventories | 181,000 | 27,000 |
| Trade and other receivables | 6,607,316 | 1,273,793 |
| Cash and cash equivalents | 812,543 | 5,017,459 |
| Total current assets | 11,312,741 | 19,870,145 |
| Total assets | 107,545,678 | 96,900,343 |
| <u>Liabilities</u> | | |
| Current liabilities | | |
| Trade and other payables | 2,380,538 | 1,273,241 |
| Loans and borrowings | 2,924,754 | - |
| Corporation tax payable | 9,925 | 49,943 |
| Total current liabilities | 5,315,217 | 1,323,184 |
| Non-current liabilities | | |
| Deferred tax | 621,000 | 1,180,000 |
| Loans and borrowings | 1,290,000 | 638,146 |
| Total non-current liabilities | 1,911,000 | 1,818,146 |
| Total liabilities | 7,226,217 | 3,141,330 |
| Total net assets | 100,319,461 | 93,759,013 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010 (continued)**

| | 31-Dec-10 | 31-Dec-09 |
|---|--------------------|-------------------|
| | EUR | EUR |
| <u>Capital and reserves attributable to equity holders</u> | | |
| Share capital | 1,000,000 | 1,000,000 |
| Share premium reserve | 121,900,310 | 121,900,310 |
| Retained deficit | (26,548,471) | (33,280,080) |
| Foreign exchange reserve | (2,876,569) | (2,964,356) |
| Total equity and reserves | 93,475,270 | 86,655,874 |
| | | |
| Non-Controlling Interest | 6,844,191 | 7,103,139 |
| Total equity | 100,319,461 | 93,759,013 |

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2011

Ion Florescu (Director)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF
31 DECEMBER 2010**

| | Share Capital EUR | Share Premium EUR | Foreign exchange reserve EUR | Retained (Deficit)/ Earnings EUR | Sub-total EUR | Non- controlling Interest EUR | Total EUR |
|---|-------------------------|-------------------------|---------------------------------------|---|-------------------|--|--------------------|
| Balance at 1 January 2009 | 1,000,000 | 121,900,310 | (2,158,146) | (37,011,624) | 83,730,540 | 7,695,820 | 91,426,360 |
| Profit for the year | - | - | - | 3,731,544 | 3,731,544 | (92,491) | 3,639,053 |
| Other comprehensive income | - | - | (806,210) | - | (806,210) | - | (806,210) |
| Total comprehensive income for the year | - | - | (806,210) | 3,731,544 | 2,925,334 | (92,491) | 2,832,843 |
| Dividends paid to non-controlling interests | - | - | - | - | - | (500,190) | (500,190) |
| Balance at 31 December 2009 | 1,000,000 | 121,900,310 | (2,964,356) | (33,280,080) | 86,655,874 | 7,103,139 | 93,759,013 |
| Profit for the year | - | - | - | 6,731,609 | 6,731,609 | (83,939) | 6,647,670 |
| Other comprehensive income | - | - | 87,787 | - | 87,787 | - | 87,787 |
| Total comprehensive income for the year | - | - | 87,787 | 6,731,609 | 6,819,396 | (83,939) | 6,735,457 |
| Dividends paid to non-controlling interests | - | - | - | - | - | (175,009) | (175,009) |
| 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 |

Share premium is stated net of share issue costs

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED
31 DECEMBER 2010**

| | 31-Dec-10 | 31-Dec-09 |
|---|--------------------|--------------------|
| | EUR | EUR |
| Cash flows from operating activities | | |
| Net profit before tax | 6,156,088 | 5,184,825 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation | 210,991 | 203,109 |
| Impairment | 2,738,000 | 2,181,000 |
| FX translation of fixed assets | 180,527 | - |
| (Gain) on financial assets at FVTPL | (11,954,421) | (10,379,006) |
| Profit on sale of financial asset | 50,670 | - |
| Gain on foreign exchange | 87,787 | 169,559 |
| Interest income | (18,237) | (73,311) |
| Dividend income | (4,082) | (293,312) |
| Net cash outflow before changes in working capital | (2,552,677) | (3,007,136) |
| | | |
| (Increase) in trade and other receivables | (5,382,625) | (422,338) |
| Increase /(decrease) in trade and other payables | 1,140,946 | (39,481) |
| (Increase)/ decrease in inventories | (154,000) | 53,000 |
| Interest received | 18,957 | 79,912 |
| Dividend received | 52,466 | 291,015 |
| Payments for purchase of financial assets | (229,995) | (405,890) |
| Net proceeds from sale of financial assets | 5,467,342 | 4,761,660 |
| Net cash generated by operating activities | (1,639,586) | 1,310,742 |
| | | |
| Income tax paid | (107,439) | (515,229) |
| | | |
| Cash flows from investing activities | | |
| Sale of property, plant and equipment | 167,741 | 31,192 |
| Purchase of property, plant and equipment | (1,086,963) | (314,438) |
| Purchase of financial assets | (8,671,500) | (1,439,700) |
| Sale of financial assets | 3,764,880 | - |
| | (7,572,867) | (927,433) |
| | | |
| Cash flows from financing activities | | |
| Dividends paid to non-controlling interests | (175,009) | (500,191) |
| Proceeds from loan | 4,527,329 | - |
| Payments of loan | (984,369) | 18,717 |
| Decrease in cash and cash equivalents | (4,204,916) | (1,408,907) |
| | | |
| Cash at beginning of year | 5,017,459 | 6,426,366 |
| Cash at end of year | 812,543 | 5,017,459 |