Reconstruction Capital II Ltd

(“RC2” or the “Fund”)

Quarterly Report

30 September 2016

neweuropecapital

New Europe Capital SRL
Str. Tudor Arghezi nr.21, et.6
Bucuresti - Sector 2
Tel +40 21 316 7680
bucharest@neweuropecapital.com

Statistics

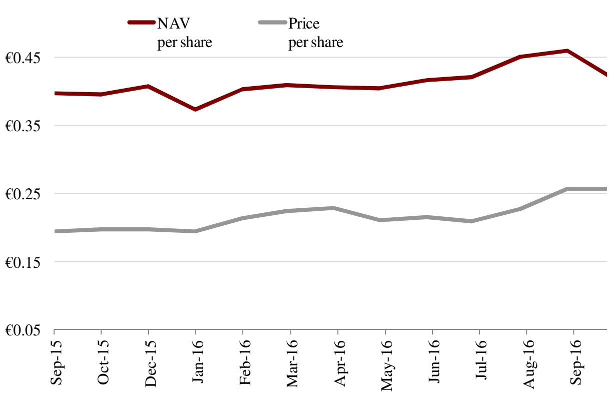
NAV per share (€) - undiluted	0.4198
NAV per share (€) - fully diluted	0.3283
Total NAV (€ m) - undiluted	41.4
Total NAV (€ m) - fully diluted	49.4
Share price (€)	0.2575
Mk Cap (€ m)	25.4
# of shares (m) - undiluted	98.5
# of shares (m) - fully diluted	150.6
NAV return since inception†	-56.11%
12-month NAV CAGR†	5.74%
NAV annualized Return*†	-7.37%
NAV annualized Volatility*†	19.06%
Best month (NAV)†	15.60%
Worst month (NAV)†	-33.53%
# of months up (NAV)†	69
# of months down (NAV)†	60

*† undiluted basis * since inception*

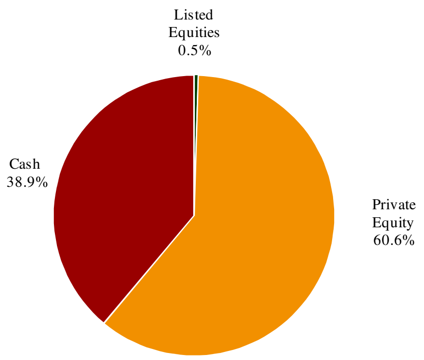
RC2 NAV returns (undiluted basis)

	2012	2013	2014	2015	2016
Jan	0.12%	-31.58%	-0.65%	-0.07%	8.03%
Feb	-9.69%	-0.51%	-0.34%	-0.34%	1.22%
Mar	-0.50%	-0.62%	2.94%	-0.70%	-0.66%
Apr	-0.66%	0.29%	2.73%	0.93%	-0.49%
May	-4.98%	-33.53%	2.70%	3.11%	3.09%
Jun	-1.47%	-0.85%	0.28%	-0.38%	1.18%
Jul	-0.73%	-0.28%	0.44%	3.24%	6.83%
Aug	0.61%	1.27%	3.23%	-0.85%	2.11%
Sep	0.01%	-0.69%	0.01%	0.31%	-8.63%
Oct	-0.82%	-0.72%	1.87%	-0.35%	
Nov	-0.36%	0.43%	0.15%	3.17%	
Dec	0.29%	-16.44%	0.73%	-8.47%	
YTD	-17.17%	-62.64%	14.91%	-0.94%	12.37%

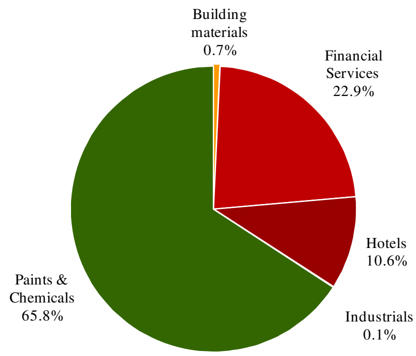
Share price / undiluted NAV per share (€)



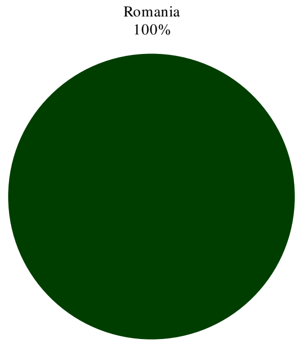
Portfolio Structure by Asset Class



Equity Portfolio Structure by Sector



Portfolio Structure by Geography



Message from the Adviser

Dear Shareholders

During the third quarter, RC2's NAV per share fell marginally from €0.4212 to €0.4198, both on an undiluted basis. As the valuation of the portfolio investments remained unchanged (save for a €3.1m increase in the value of Albalact shares prior to their disposal), this fall in the undiluted NAV/share was mainly the result of the conversion of €1.4 million of convertible loan notes into 10,507,380 shares during September, only partly compensated by the cancellation of 3,930,000 shares purchased by the Company in August. On a fully diluted basis, the NAV per share was €0.3283 at the end of the third quarter compared to €0.3118 at the beginning of the quarter.

Lactalis' tender offer for the share capital of Albalact closed on 14 September, with RC2 cashing proceeds of approximately €19.5m from the sale shortly thereafter. Pursuant to the sale, RC2 sent notices to the remaining convertible loan note holders of its intention to redeem the €7m of convertible loan notes still outstanding.

Policolor's paints and coatings sales grew by just over 10% during the first nine months of 2016, with its EBITDA coming in on budget at €2.9m even though its Chemicals division barely operated due to unfavourable market conditions. Policolor's management has been continuing negotiations on its aborted land sale due to the default of the buyers who had paid a deposit of €3.0m, and is working hard on finding a definitive solution.

Top Factoring continued its excellent performance, with higher than expected collections on its portfolios resulting in nine month EBITDA of €5.5m, compared to €3.9m over the same period of the prior year.

Mamaia Resort Hotels achieved a good occupancy rate of 75% over the summer months, compared to a budgeted 70%, but a weak May due to poor weather, and lower food and beverage sales, resulted in the nine month EBITDA coming in at €631,000, which is approximately €100,000 below budget.

Due to the ongoing poor performance and stressed cash-flow of Klas, RC2 has decided to provide for its shareholder loan to this company in full at the end of September, with an impairment charge of €0.62m recorded in RC2's books (an impairment charge of €0.89m having been made in December 2015). RC2's equity interest in the business was already valued at zero.

At the end of the quarter, the Fund had cash and cash equivalents of approximately €19.2m and short-term liabilities of €0.1m, excluding €7.0m of convertible loan notes due for redemption on 14 November. These loan notes were all subsequently converted into equity during the month of October.

Yours truly,

New Europe Capital

Policolor Group

Background

RC2 has a 40.0% shareholding in Policolor, the parent company of the Policolor Group ("Policolor" or the "Group"), which operates along the following business lines: coatings (architectural, automotive and industrial), resins and specialty chemicals. The Romanian company Policolor SA and its 100%-owned Bulgarian subsidiary Orgachim AD form the largest producer of coatings in Romania and Bulgaria. The Group also includes Orgachim Resins, the leading supplier of resins in South East Europe, and Ruse Chemicals, a producer of anhydrides. All the Group companies are unlisted.

Group Financial results

(EUR '000)	2014*	2015**	2016B	9M15**	9M16**	9M16B
Consolidated Income statement (according to IFRS)						
Sales revenues	**53,655**	**57,045**	**64,937**	**46,968**	**48,965**	**52,841**
Other operating revenues	252	336		302	66	191
Total operating revenues	**53,907**	**57,381**	**64,937**	**47,270**	**49,031**	**53,032**
Total operating expenses	**(55,549)**	**(59,047)**	**(65,748)**	**(46,061)**	**(48,546)**	**(52,717)**
Operating profit	**(1,642)**	**(1,666)**	**(810)**	**1,209**	**485**	**315**
Operating margin	*neg.*	*neg.*	*neg*	*2.6%*	*1.0%*	*0.6%*
Recurring EBITDA	2,438	1,957	1,806	4,293	2,985	3,115
Non-recurring expenses	(563)	(286)	(125)	(339)	(78)	(186)
Total EBITDA	**1,875**	**1,671**	**1,681**	**3,954**	**2,907**	**2,929**
EBITDA margin	*3.5%*	*2.9%*	*2.6%*	*8.4%*	*5.9%*	*5.5%*
Net extraordinary result		441				
Financial Profit/(Loss)	(958)	(1,027)	(855)	(666)	(667)	(662)
Profit before tax	**(2,600)**	**(2,693)**	**(1,665)**	**543**	**(182)**	**(347)**
Income tax	114	(31)		(4)	(368)	
Profit after tax	**(2,486)**	**(2,724)**	**(1,665)**	**539**	**(550)**	**(347)**
Minority interest	48					
Profit for the year	**(2,438)**	**(2,724)**	**(1,665)**	**539**	**(550)**	**(347)**
avg exchange rate (RON/EUR)	*4.45*	*4.44*	*4.50*	*4.44*	*4.49*	*4.50*

*Note: * audited, ** unaudited*

The Group's 2016 nine month consolidated operating revenues were €49.03m, 7.5% below budget but 3.7% above the same period of 2015.

The Group's consolidated results reflect a good performance by the paints and coatings and resins businesses, however the underperformance of the anhydrides division due to lack of raw material resulted in the plant being operated for less than one month in the first nine months of the year. Overall, sales of paints and coatings grew by 10.3% year-on-year and sales of resins were up 6%, whilst sales of anhydrides were down 47%.

The Group generated recurring EBITDA (net of revenues and expenses allocated to the real estate division) of approximately €2.9m, in line with the budget.

Real Estate

Policolor has been exploring its options in relation to the sale of its main site in Bucharest, including continuing negotiations with the buyers who were unable to fulfil their contractual commitments to pay €11m by the end of 2015, and who have started litigation proceedings against Policolor, there preventing the sale of the land to a third party buyer until the litigation ends or a settlement is reached.

Top Factoring Group

Background

RC2 invests in Romanian non-performing loans through its 100%-owned subsidiary Glasro Holdings Ltd ("Glasro"), and also owns a 93% interest in Top Factoring, a Romanian receivables collection company. Top Factoring and Glasro are together referred to as the "Top Factoring Group" or the "Group".

Group Financial Results

EUR'000	2014*	2015*	2016B	9M15**	9M16**	9M16B
Combined Group Income Statement						
Net revenues	**8,147**	**10,142**	**8,828**	**7,451**	**8,889**	**7,444**
Debt purchase	7,252	8,966	8,037	6,707	8,277	6,856
gross collections	11,460	12,855	11,950	9,522	9,546	8,977
amortization and fair value adjustments of debt portfolios	(4,207)	(3,889)	(3,913)	(2,815)	(1,269)	(2,122)
Mandate agreements and other revenues	894	1,176	791	744	612	588
Operating expenses	**(4,560)**	**(4,901)**	**(4,848)**	**(3,538)**	**(3,384)**	**(3,521)**
EBITDA	**3,587**	**5,241**	**3,979**	**3,913**	**5,505**	**3,923**
EBITDA margin (%)	*44.0%*	*51.7%*	*45.1%*	*52.5%*	*61.9%*	*52.7%*
Depreciation	(135)	(240)	(330)	(173)	(232)	(232)
Earnings before taxes	**2,894**	**4,417**	**3,157**	**3,531**	**4,994**	**3,310**
Income tax	(547)	(625)	(410)	(162)	(325)	(414)
Net profit	**2,347**	**3,792**	**2,747**	**3,369**	**4,669**	**2,897**
Net profit margin (%)	*28.8%*	*37.4%*	*31.1%*	*45.2%*	*52.5%*	*38.9%*
Avg exchange rate (RON/EUR)	*4.445*	*4.445*	*4.450*	*4.441*	*4.485*	*4.450*

*Note: * IFRS (audited), IFRS** (management accounts)*

The 2016 nine-month gross revenues (made up of gross collections on proprietary portfolios and agency revenues) amounted to €10.2m, down 1.1% year-on-year, but 6.2% above budget, driven by the debt purchase line which accounted for 94% of gross operating revenues.

Pursuant to its September quarterly impairment test, the Group booked a write-up of €1.8m in the third quarter due to better than expected collections on proprietary portfolios over the period. The Group has now booked a total of €4.5m of write-ups over the first nine months of 2016, contributing to an excellent EBITDA result of €5.5m, which is higher than the 2016 full year budget target of €4m.

The agency business generated revenues of €0.6m, down 17.7% year-on-year, due to Top Factoring ceasing to work on certain unprofitable contracts.

Operations

Glasro has invested €7.4m in new portfolios up to the end of September 2016, financed by a combination of bank loans and its own equity.

Gross collections from proprietary portfolios were steady at €9.5m year-on-year. The share of collections generated by the field and legal departments increased to 16% and 37%, respectively, compared to 13% and 28%, respectively, in the first nine months of 2015, reflecting an improved ability to maximise revenues from proprietary portfolios using various collection tools. The balance of 47% was collected by the call centre. Whereas the legal department mainly works on banking cases, field collection is more important for telecom cases.

Mamaia Resort Hotels

Background

Mamaia Resort Hotels SRL (the "Company") is the owner and operator of the now re-branded ZENITH – Conference & Spa Hotel (the "Hotel"), which is located at Mamaia, Romania's premium seaside resort next to the city of Constanta. In March 2008, RC2 acquired 63% of the Company, with the remaining 37% being owned by a Romanian private individual.

Financial results and operations

(EUR '000)	2014*	2015*	2016B	9M15**	9M16**	9M16B
Income Statement						
Sales Revenues	**1,972**	**2,331**	**2,527**	**2,113**	**2,155**	**2,269**
Total Operating Revenues	**2,045**	**2,349**	**2,527**	**2,197**	**2,242**	**2,377**
Total Operating Expenses	(2,106)	(2,044)	(2,163)	(1,618)	(1,738)	(1,802)
Operating Profit	**(61)**	**305**	**364**	**578**	**504**	**575**
Operating margin	*neg.*	*13.0%*	*14.4%*	*26.3%*	*22.5%*	*24.2%*
EBITDA	**253**	**484**	**580**	**714**	**631**	**734**
EBITDA margin	*12.4%*	*20.6%*	*22.9%*	*32.5%*	*28.2%*	*30.9%*
Profit after Tax	**(158)**	**176**	**204**	**517**	**376**	**505**
Net margin	*neg.*	*7.5%*	*8.1%*	*23.5%*	*16.8%*	*21.2%*
Avg exchange rate (RON/EUR)	*4.445*	*4.445*	*4.450*	*4.441*	*4.485*	*4.450*

*Note: *RAS (audited), **RAS (management accounts)*

Sales revenues over the first nine months of 2016 were €2.16m, up 2% year-on-year, but 5% below budget, mainly due to a weak May due to poor weather and lower food & beverage sales. Food and beverage sales amounted to €0.95m, down 8.5% year-on-year and 14% below the budget, and accounted for 44% of overall sales. Accommodation revenues of €1.2m were up 12.8% year-on-year, and accounted for 55% of sales. 62% of accommodation revenues were generated by agency bookings, 16% by "walk-ins", and 9% by corporate contracts, with the balance of 13% generated through booking websites. The share of online bookings is an increase on the 9% recorded during the same period of last year, and is the result of a policy to shift more of the company's business online.

The nine month EBITDA was €631,000, both below budget (€734,000) and last year's result (€714,000), mainly due to the weaker sales of the food and beverage department.

The occupancy rate over the summer months stood at 75%, compared to a budget of 70%. Overall, the occupancy rate of 32% over the first nine months was unchanged over the same period last year.

The hotel's new spa facility with a capacity to accommodate 120 persons opened at the end of June. The interior design of the spa facility was awarded a prize at the Romanian Architecture Biennale in October 2016.

Klas

Background

Klas DOO ("Klas" or the "Company"), the former bakery division of East Point Holdings Limited ("EPH") is now 52% owned by RC2, with the balance being owned by Darby, part of the Franklin Templeton Investment Group, and DEG, the German overseas development finance institution. RC2 also had a €0.6m (including accrued interest) shareholder loan to Klas outstanding as at 30 June 2016. In December 2015, €3m of outstanding payables due to Zitomlin, the milling company of the EPH group, was converted into 33.3% of the share capital of BPI, Klas's operating subsidiary, in an effort to stabilize the group's cashflow, and improve its working capital position.

Financial results and operations

EUR '000	2014*	2015A**	2016B	9M15**	9M16**
Net sales	**10,659**	**5,097**	**6,943**	**3,732**	**3,562**
EBITDA	**(2,266)**	**(1,095)**	**157**	**(855)**	**(439)**
EBITDA margin	*-21.3%*	*-21.5%*	*2.3%*	*-22.9%*	*-12.3%*
Profit after tax	**(2,826)**	**(2,056)**	**(1,488)**	**(1,321)**	**(1,179)**
Net margin	*-26.5%*	*-40.3%*	*-21.4%*	*-35.4%*	*-33.1%*

*Note: * audited, ** management accounts*

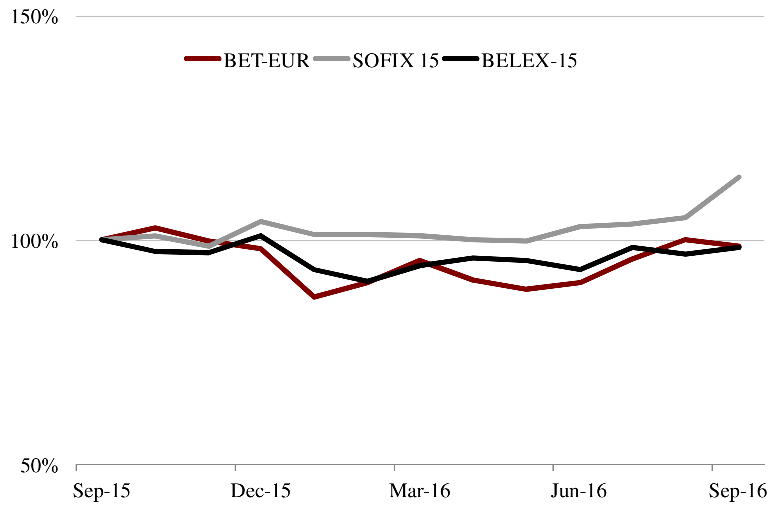
Sales of €3.56m in the nine months to 30 September were 5% below the comparative period in 2015. Whilst the gross margin remained negative, it has improved from -22.9% to -12.3%. This reflects the lower cost of flour as well as the increased sale of higher margin products. Daily production volumes nonetheless are smaller at 27.9 tons compared to the 33.2 tons achieved in September 2015. Management are therefore seeking to renew cooperation with a large retailer in the Belgrade area that will boost volumes substantially to over 37 tons daily.

The EBITDA nine-month loss amounted to €-0.44m. While this is a substantial improvement on last year's result of €-0.86m, the Company will not reach its 2016 budgeted EBITDA target of €0.16m. Monthly losses continue to be in the region of €50,000 to 60,000, break-even being dependent on securing new volume contracts.

In view of the continuing weak performance of the Company and the severe cash-flow strains under which it is operating, RC2 has decided to provide for the shareholder loan in full at the end of September with an impairment charge of €0.62m recorded in RC2's books (an impairment charge of €0.89m having been made in December 2015). RC2's equity interest is already valued at zero.

Capital Market Developments

BET-EUR, SOFIX-15 and BELEX-15: 1 year performance



Commentary

During the third quarter, the Romanian BET index, the Bulgarian SOFIX 15 index and the Serbian BELEX 15 increased by 8.9%, 10.7% and 5.3%, all in euro terms. Over the same quarter, the MSCI Emerging Market Eastern Europe, the MSCI Emerging Market, the FTSE100 and the S&P indices were up by 3.6%, 6.8%, 2.3% and 1.9%, respectively, all in euro terms.

Over the past year, the BET-EUR and BELEX-15 indices were down by 1.3% and 1.7%, respectively, whilst the SOFIX 15 increased by 14.1%, all in euro terms. Over the same period, the MSCI Emerging Market Eastern Europe, the MSCI Emerging Market and the S&P indices gained 8.9%, 13.6% and 12.5%, respectively, while the FTSE100 lost 2.8%, all in euro terms.

Macroeconomic Overview

Overview

	RO	as of:	BG	as of:	SRB	as of:
GDP Growth (y-o-y)	4.8%	9M16	3.5%	6M16	1.8%	3Q 2016
Inflation (y-o-y)	-0.4%	Oct-16	-0.6%	Oct-16	1.6%	Sep-16
Ind. prod. growth (y-o-y)	3.5%	Sep-16	3.4%	Sep-16	5.3%	Sep-16
Trade balance (EUR bn)	-6.9	9M16	-1.1	9M16	-0.3	Sep-16
y-o-y	*25.1%*		*-32.5%*		*-29.7%*	
FDI (EUR bn)	3.1	9M16	1.1	9M16	1.2	8M16
y-o-y change	*25.0%*		*-21.1%*		*9.0%*	
Total external debt/GDP	53.9%	Sep-16	76.3%	Aug-16	72.7%	Sep-16
Reserves to short-term debt	162.4%	Sep-16	304.4%	Aug-16	390.2%	Sep-16
Loans-to-deposits	83.9%	Sep-16	78.3%	Sep-16	106.7%	Sep-16
Public sector debt-to-GDP	36.4%	Aug-16	29.4%	Jun-16	70.8%	Sep-16

Commentary

Romania

Romania's GDP grew by 4.6% in the third quarter compared to the same quarter of the previous year. Overall, GDP grew by 4.8% year-on-year during the first nine months of 2016. Although detailed data on the sources of growth are not yet available, the GDP growth was helped by private consumption, which was driven by higher wages, the low interest rate environment and fiscal relaxation ahead of parliamentary elections in December. In its autumn 2016 report, the European Commission expects Romania's 2016 GDP growth to remain robust, achieving 5.2% over 2016.

After inflation hit a historical low in May, when prices fell by 3.5% year-on-year, Romania recorded a lower 0.4% year-on-year fall in prices in October, due to higher international commodities prices, especially oil, as well as the base effect of the VAT rate cut (from 24% to 9%) on basic food stuffs which was implemented in June 2015 fading away.

The Romanian leu lost 1.5% against the euro over the third quarter, and is down 1.6% against the euro since the beginning of the year.

Due to tax cuts and increases in public wages, the budget deficit over the first nine months of 2016 came in at €0.8bn, equivalent to 0.5% of GDP, compared to a surplus of 0.9% over the same period of 2015. Budgetary receipts fell by 2% year-on-year, mainly due to lower VAT collections, which made up 23.6% of total budgetary receipts and fell by 8.6% year-on-year. This was only partially compensated by improved receipts from corporate profit taxes, which represent 6.8% of total receipts and increased by 12.3% year-on-year. Total budgetary expenses increased by 4.0% year-on-year, with personnel and social expenditures, which account for 60.3% of total expenses, increasing by 8.5%. Publicly-funded investments are still depressed, with capital expenses falling by 8.9% year-on-year in RON terms (from €4.3bn to €3.9bn), and accounting for 2.3% of GDP, compared to 2.7% of GDP over the same period of 2015.

Over the first nine months of 2016, the trade gap widened by 25.1% year-on-year (from €-5.5bn to €-6.9bn), as imports grew by 6.8% due to increasing domestic demand, while exports increased by only 4.3%. The negative evolution of the trade balance was the main reason behind a €2.7bn current account deficit, which is the equivalent to 1.6% of GDP and compares to a deficit of €1.1bn over the same period of 2015. Over the first nine months of 2016, FDI flows amounted to €3.1bn, which is up on the €2.5bn achieved over the same period of 2015, as both equity investments and intra-group loans increased by €0.6bn and €0.03bn, respectively.

Romania's total external debt was €90.7bn at the end of September, which represents a slight 0.3% year-to-date increase, and equates to approximately 53.9% of GDP. Total public debt was €69.7bn, or 36.4% of GDP, at the end of August, down on the 37.9% recorded at the end of 2015. At the end of September, Romania successfully placed €1bn of 12-year eurobonds at a yield of 2.15%, which compares positively to a yield of 2.88% achieved during the previous eurobond issue in May.

Total domestic non-governmental credit (which excludes loans to financial institutions) amounted to €48.7bn at the end of September, and was down 0.3% year-to-date in RON terms. Household loans amounted to €25.0bn at the end of September, up 3.2% in RON terms since the beginning of the year, as RON-denominated consumer and housing loans grew by 10.1% and 43.2%, respectively. The overall deposit base has increased by 2.0% year-to-date in RON terms and amounted to €58.1bn at the end of September. The NPL ratio was 10.56% at the end of August, down from the 13.61% recorded at the end of 2015.

Bulgaria

Bulgaria's second quarter GDP grew by 3.0% year-on-year, helped by individual consumption which increased by 3.2%, whilst exports increased by 2.4%. Overall, GDP grew by 3.5% year-on-year during the first six months of 2016. In the third quarter, Bulgaria's GDP increased by 3.5% compared to the same quarter of the previous year. The European Commission expects an annual growth of 3.1% in 2016 triggered by improved domestic demand.

Bulgaria continues to experience deflation, having recorded a 0.6% year-on-year fall in prices in October, compared to a 0.4% year-on-year fall in December 2015.

Over the first nine months of 2016, Bulgaria achieved a budget surplus of €1.7bn, or 3.7% of GDP, which is an improvement over the 0.7% of GDP surplus achieved over the same period in 2015. The surplus was triggered by a 6.2% increase in tax revenues (up from €12.3bn to €13.1bn), whilst total budgetary expenses fell by 5.4% (from €11.7bn to €11.1bn). Negatively, the decrease in budgetary expenses was due to lower capital expenditures, which fell from €1.8bn to €0.8bn. For 2017, the government is targeting a budget deficit of 1.4% of GDP.

Bulgaria's trade balance improved from a deficit of €-1.6bn over the first nine months of 2015 to a deficit of €-1.1bn over the same period of 2016. While exports increased by 0.2%, the year-on-year fall in imports was higher at 2.7%. Helped by a €0.3bn surplus from primary and secondary income, and a €2.9bn surplus from services, the current account balance was €2.1bn in surplus, or 4.7% of GDP, an improvement on the 2.1% surplus achieved over the same period of 2015. FDI inflows amounted to €1.1bn, which was 32.5% lower than in the same period of 2015. The decrease was due to lower equity investments, which fell by €0.6bn, whilst intra-group loans were €0.3bn higher.

The Bulgarian banking system's loans to non-financial institutions amounted to €24.98bn at the end of September, which is 0.5% higher than at the end of December. Both corporate and household loans increased by 1.1% and 1.5%, respectively. NPLs accounted 21% of the overall loan stock at the end of September. Meanwhile, the deposit base grew from €31.1bn at the end of 2015 to €31.9bn at the end of September (+2.6%). Following the default of the Corporate Commercial Bank in late 2014, the National Bank of Bulgaria has performed a stress test analysis on the Bulgarian banking sector which was finalized in August. The results reveal that most banks are well-capitalized, whilst three banks (the largest domestically-owned bank and two small ones) need to increase their capital.

Presidential elections held in early November were won by a candidate backed by the Bulgarian Socialist Party. Following the results, the centre-right Prime Minister has tendered his resignation.

Serbia

The positive trends in the Serbian economy that were discernible in 2015 have gathered pace in 2016, with growth in industrial production, foreign direct investment as well as the narrowing of the trade deficit all being reported year-to-date. The recovery in the economy is export-led, with exports of goods and services increasing by 9.5%, while imports grew by only 4.6%.

Against this favourable background, the IMF is currently undertaking a review of its Stand-by Agreement worth €1.2 billion. It is expected to encourage the government to continue with its policies of down-sizing the public administration, restricting salary and pension increases, and restructuring loss-making state owned-enterprises (SOEs). In the case of the latter, progress to date has been limited. The sale of the Smederovo steel works to Chinese investors in July for €52m was a milestone, but major loss-makers such as RTB Bor and Petrochemija still have to be tackled.

Following its decision to reduce its key policy rate by 25 basis points to 4% in July, the National Bank of Serbia did not make any further reductions, though it did reduce its obligatory reserve requirements for commercial banks. The relaxation of monetary policy has been coupled with maintenance of exchange rate stability, with the EUR/Serbian Dinar exchange rate unchanged at 122 RSD/EUR throughout the quarter.

Important Information

This document, and the material contained therein, is intended to be for information purposes and it is not intended as a promotional material in any respect. In particular, this document is not intended as an offer or solicitation for the purchase or sale of any financial instrument including shares in Reconstruction Capital II Limited ("RC2" or the "Fund"). Any investment in RC2 must be based solely on the Admission Document of the Fund or other offering documents issued from time to time by the Fund, in accordance with applicable laws.

The material in this document is not intended to provide, and should not be relied on for accounting, legal or tax advice or investment recommendations. Potential investors are advised to independently review and obtain independent professional advice and draw their own conclusions regarding the economic benefit and risks of investment in the Fund and legal, regulatory, credit, tax and accounting aspects in relation to their particular circumstances. While every effort has been taken to ensure that the material in this document is accurate, current, complete and fit for its intended purpose no warranty is given as to its completeness or accuracy.

This document is only issued to and directed at persons of a kind to whom it may lawfully be communicated to.

The Fund's shares have not been and will not be registered under any securities laws of the United States of America or any of its territories or possessions or areas subject to its jurisdiction and, absent an exemption, may not be offered for sale or sold to nationals or residents thereof. The offering of shares in certain jurisdictions may be restricted and accordingly persons are required by the Fund to inform themselves of and observe any such restrictions.

No warranty is given, in whole or in part, regarding the performance of the Fund. There is no guarantee that its investment objectives will be achieved. Potential investors should be aware that past performance may not necessarily be repeated in the future. The price of shares and the income from them may fluctuate upwards or downwards and cannot be guaranteed.

This document is intended for the use of the addressee and recipient only and should not be relied upon by any other persons and may not be reproduced, redistributed, passed on or published, in whole or in part, for any purposes, without the prior written consent of New Europe Capital SRL.