

Reconstruction Capital II Limited (the "Company")
Interim Unaudited Financial Statements
for the six months ended 30 June 2022

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 six months ended 30 June 2022.

Copies of the company's interim financial statements will today be posted to shareholders. The interim report is also available on the Company's website <http://www.reconstructioncapital2.com/>.

Financial highlights

On 30 June 2022, Reconstruction Capital II Limited ("RC2") had a total unaudited net asset value ("NAV") of €26.5m or €0.1955 per share, which represents a 0.83% fall since the beginning of the year.

As at 30 June 2022, RC2 and its subsidiary, RC2 (Cyprus) Ltd had cash and cash equivalents of approximately €0.05m and receivables of €0.02m. As at 30 June 2022, RC2 had liabilities of €0.09m.

Operational highlights

Whilst Romania and Bulgaria continued to achieve strong year-on-year GDP growth of 6.4% and 4.0%, respectively, during the first quarter of 2022, the outbreak of war in neighbouring Ukraine at the end of February generated supply chain disruptions and exacerbated food and energy price increases. Consequently, inflationary pressures intensified in both countries, eroding the purchasing power of consumers, and adding additional pressure on companies' profitability margins as the prices of raw materials and utilities experienced sharp increases. At the end of June, the annual inflation rate reached 15.1% in Romania, and 16.9% in Bulgaria.

The Policolor Group generated operating revenues of €45.2m over the first six months, slightly above budget and 8.8% above the €41.5m achieved during the same period last year. Coatings sales of €25.3m were 4.2% above the same period last year, but 8.0% below budget, mainly due to weak market demand due to cost-of-living pressures on consumers. Sales of anhydrides reached €6.0m, below the budgeted €6.7m, whilst resins sales of €16.9m were 29.2% above last year, and 20.0% above budget, driven by high market prices for resins and strong demand from customers. Driven mainly by the coatings business' gross margin underperforming the budget due to difficulties in passing on raw material price increases to customers, the Group's recurring six-month EBITDA came in at € 1.8m, significantly below both last year's result and the budget target of €3.1m

Mamaia Resort Hotels reported excellent results for the first semester of 2022, significantly overperforming both its budget and last year's performance. Operating revenues came in at €1.7m, 112.7% above budget and 55.3% higher year-on-year, driven by a better occupancy rate due to the Hotel securing some long-term group occupancy contracts which started in the off-season months. The six-month EBITDA of €0.3m compares to a budgeted EBITDA loss of €-0.3m, mainly due to the higher revenues.

Telecredit continued its strong growth during the second quarter, having deployed € 11.1m in financing products to small and medium-sized enterprises over the first semester, 16.1% above budget and 70.7% higher year-on-year. The company generated an Operating Profit before Depreciation and Interest Expense of €383,000 over the period, 38.3% above budget and 176.0% above the result achieved during the same period of 2021.

At the end of June, RC2 and RC2 (Cyprus) Ltd had cash and cash equivalents of €0.2m, receivables of €0.1m, and short-term liabilities of €0.1m.

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ADVISER'S REPORT
For the six months ended 30 June 2022

On 30 June 2022, Reconstruction Capital II Limited ("RC2") had a total unaudited net asset value ("NAV") of €26.5m or €0.1955 per share, which represents a 0.83% fall since the beginning of the year.

Whilst Romania and Bulgaria continued to achieve strong year-on-year GDP growth of 6.4% and 4.0%, respectively, during the first quarter of 2022, the outbreak of war in neighbouring Ukraine at the end of February generated supply chain disruptions and exacerbated food and energy price increases. Consequently, inflationary pressures intensified in both countries, eroding the purchasing power of consumers, and adding additional pressure on companies' profitability margins as the prices of raw materials and utilities experienced sharp increases. At the end of June, the annual inflation rate reached 15.1% in Romania, and 16.9% in Bulgaria.

The Policolor Group generated operating revenues of € 45.2m over the first semester, slightly above budget and 8.8% above the € 41.5m achieved during the same period last year. Coatings sales of € 25.3m were 4.2% above the same period last year, but 8.0% below budget, mainly due to weak market demand due to cost-of-living pressures on consumers. Sales of anhydrides reached € 6.0m, below the budgeted € 6.7m, whilst resins sales of € 16.9m were 29.2% above last year, and 20.0% above budget, driven by high market prices for resins and strong demand from customers. Driven mainly by the coatings business' gross margin underperforming the budget due to difficulties in passing on raw material price increases to customers, the Group's recurring six-month EBITDA came in at € 1.8m, significantly below both last year's result and the budget target of € 3.1m

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At the end of June, RC2 and RC2 (Cyprus) Ltd had cash and cash equivalents of € 0.22m, receivables of € 0.05m, and short-term liabilities of € 0.09m.

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	30 June 2022 EUR Unaudited	30 June 2021 EUR Unaudited	31 December 2021 EUR Audited
Investment Income			
Fair value loss on financial assets at fair value through profit or loss	(102,597)	(2,100,354)	2,774,875
Interest income	257,916	2,112,394	3,197,478
Net investment income	155,319	12,040	5,972,353
Expenses			
Operating expenses	(394,892)	(341,741)	(725,459)
Net financial income/(expense)	(35)	3	(11,595)
Total expenses	(394,927)	(341,738)	(737,054)
(Loss)/profit for the period/year	(239,608)	(329,698)	5,235,299
Other comprehensive income	-	-	-
Total comprehensive (loss)/profit for the period/year attributable to owners	(239,608)	(329,698)	5,235,299
Earnings Per Share attributable to the owners of the Company			
Basic and diluted earnings per share	(0.0018)	(0.0024)	0.0385

STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	30 June 2022 EUR Unaudited	30 June 2021 EUR Unaudited	31 December 2021 EUR Audited
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	26,557,140	21,231,506	26,971,821
Total non-current assets	26,557,140	21,231,506	26,971,821
Current assets			
Trade and other receivables	19,172	17,123	6,027
Cash and cash equivalents	46,438	37,502	11,301
Total current assets	65,610	54,625	17,328
TOTAL ASSETS	26,622,750	21,286,131	26,989,149
LIABILITIES			
Current liabilities			
Trade and other payables	91,174	67,664	205,685
Borrowings	-	-	-
TOTAL LIABILITIES	91,174	67,664	205,685
NET ASSETS	26,531,576	21,218,467	26,783,464
EQUITY ATTRIBUTABLE TO OWNERS			
Share capital	1,357,034	1,358,569	1,358,569
Share premium	109,196,034	109,206,779	109,206,779
Accumulated deficit	(84,021,492)	(89,346,881)	(83,781,884)
TOTAL EQUITY	26,531,576	21,218,467	26,783,464
Net Asset Value per share			
Basic and diluted net asset value per share	0.1955	0.1562	0.1971

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital EUR	Share premium EUR	Retained (deficit)/ earnings EUR	Total EUR
Balance at 1 January 2021	1,358,569	109,206,779	(89,017,183)	21,548,165
Loss for the period	-	-	(329,698)	(329,698)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(329,698)	(329,698)
Balance at 30 June 2021	1,358,569	109,206,779	(89,346,881)	21,218,467
Profit for the period	-	-	5,564,997	5,564,997
Other comprehensive income	-	-	-	-
Total comprehensive profit for the period	-	-	5,564,997	5,564,997
Balance at 31 December 2021	1,358,569	109,206,779	(83,781,884)	26,783,464
Loss for the period	-	-	(239,608)	(239,608)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(239,608)	(239,608)
Repurchase and cancellation of own shares	(1,535)	(10,745)	-	(12,280)
Transactions with owners	(1,535)	(10,745)	-	(12,280)
Balance at 30 June 2022	1,357,034	109,196,034	(84,021,492)	26,531,576

CASH FLOW STATEMENT
For the six months ended 30 June 2022

	30 June 2022 EUR Unaudited	30 June 2021 EUR Unaudited	31 December 2021 EUR Audited
Cash flows from operating activities			
(Loss)/profit before taxation	(239,608)	(329,698)	5,235,299
<i>Adjustments for:</i>			
Fair value loss on financial assets at fair value through profit or loss	102,597	2,100,354	(2,774,875)
Interest income	(257,916)	(2,112,394)	(3,197,478)
Financial expenses	-	11,035	11,035
Net (gain)/loss on foreign exchange	35	(3)	(44)
Net cash outflow before changes in working capital	(394,892)	(330,706)	(726,063)
(Increase)/Decrease in trade and other receivables	(13,145)	(3,523)	7,573
(Decrease)/Increase in trade and other payables	(114,511)	(24,118)	113,902
Repayments of financial assets	570,000	780,085	1,210,085
Purchase of financial assets	-	-	(210,000)
Net cash provided by/(used in) operating	47,452	421,738	395,497
Cash flows from financing activities			
Payments to purchase own shares	(12,280)		
Proceeds from borrowings	-	250,000	250,000
Repayment of loans from related party	-	(650,000)	(650,000)
Interest paid	-	(17,312)	(17,313)
Net cash flow (used in)/provided by financing	(12,280)	(417,312)	(417,313)
Net increase/(decrease) in cash and cash equivalents before currency adjustment	35,172	4,426	(21,816)
Effects of exchange rate differences on cash and cash equivalents	(35)	3	44
Net increase/(decrease) in cash and cash equivalents after currency adjustment	35,137	4,429	(21,772)
Cash and cash equivalents at the beginning of the period/year	11,301	33,073	33,073
Cash and cash equivalents at the end of the period/year	46,438	37,502	11,301