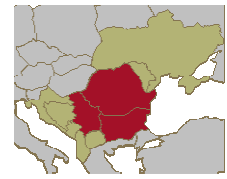


**Description**

Reconstruction Capital II ("RC2") is a closed-ended, absolute return driven investment fund, incorporated in the Cayman Islands. The fund invests in Private Equity & Listed Securities in South-East Europe. RC2 was admitted to the AIM market of the London Stock Exchange in December 2005 raising €24m initially, with two follow-on offerings in May-06 and Dec-07 raising a further €40m and €71m net of expenses respectively. New Europe Capital Ltd (London) is the investment manager to RC2. New Europe Capital SRL (Bucharest) and New Europe Capital DOO (Belgrade) are the investment advisers to RC2.



**Statistics**

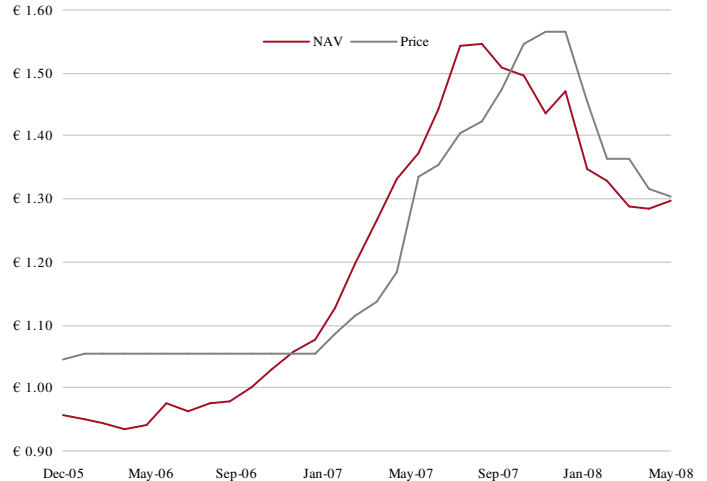
NAV per share (€)	1.2977
Share price (€)	1.3050
Total NAV (€ m)	146.2
Mk Cap (€ m)	147.0
# of shares (m)	112.7
Return since inception	35.67%
12-month CAGR	-2.47%
Annualized Return*	13.45%
Annualized Volatility*	11.74%
Best month	6.93%
Worst month	-8.27%
# of months up	18
# of months down	11

\* since inception

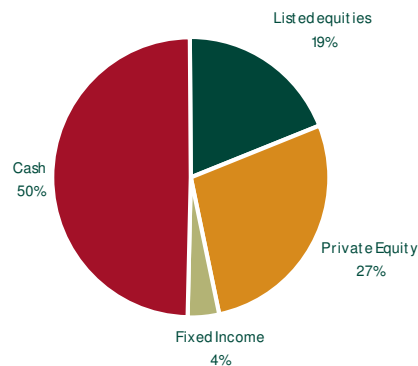
**RC2 NAV returns**

	2006	2007	2008
Jan	-0.61%	4.70%	-8.27%
Feb	-0.73%	6.17%	-1.48%
Mar	-0.87%	5.90%	-3.03%
Apr	0.44%	5.05%	-0.26%
May	3.73%	3.08%	0.93%
Jun	-1.25%	5.19%	-
Jul	1.23%	6.93%	-
Aug	0.61%	0.22%	-
Sep	2.18%	-2.50%	-
Oct	2.74%	-0.69%	-
Nov	2.80%	-4.09%	-
Dec	1.70%	2.46%	-
YTD	12.47%	36.74%	-11.78%

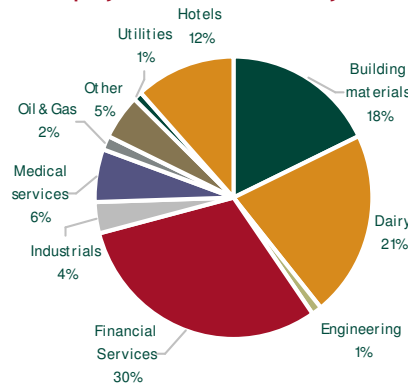
**Share price / NAV per share (€)**



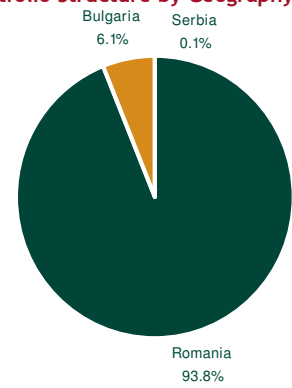
**Portfolio Structure by Asset Class**



**Equity Portfolio Structure by Sector**



**Portfolio Structure by Geography**



**Investment Update**

- In May, RC2 acquired a further 4.1% shareholding in dairy producer Albalact from the majority shareholder, thereby increasing its stake to 17.3%. Based on month-end prices, RC2's shareholding in Albalact had a market value of EUR 14.7m compared to a cost of EUR 9.8m.
- RC2's investee company Antares Hotels SRL has signed a franchise agreement with the Golden Tulip Hotels, Inns & Resorts chain. Accordingly the hotel will be renamed the *Golden Tulip Mamaia*. The Investment Adviser believes that the re-branding of the hotel will substantially improve its visibility and occupancy rates.

**Commentary**

- At the end of 1Q-08 Romania's GDP growth accelerated to 8.2% year-on-year, the fastest pace since the third quarter of 2006, primarily driven by high growth in the construction and services sectors which were up 32.4% and 7.5% year-on-year, respectively. Romania's industrial production was no exception, recording growth of 13.3% year-on-year in April.
- In Bulgaria GDP growth accelerated to 7.0% in 1Q-08. According to S&P, Bulgaria's outlook remains stable. The rating agency expects FDI coverage of the current account deficit to remain above 75% for this year. At the end of March, FDI covered 44.3% of the current account deficit.
- Economic growth in Serbia expanded to 7.0% in 1Q-08 as one of Europe's most favourable tax regimes continues to attract foreign investment, despite delays in the formation of a new government coalition and an unclear path towards EU integration.

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