

RECONSTRUCTION CAPITAL II LIMITED

INTERIM UNAUDITED FINANCIAL STATEMENTS

For the period 1 January 2007 to 30 June 2007

RECONSTRUCTION CAPITAL II LIMITED

Interim Unaudited Financial Statements for the period to 30 June 2007

Table of Contents

Investment Manager and Investment Adviser Report	3
Independent Review Report	4
Consolidated Income Statement	5
Consolidated Balance Sheet	6
Consolidated Statement of Changes in Equity	7
Consolidated Cashflow Statement	8
Notes to interim unaudited the Financial Statements	9

Secretary and registered office

Appleby Spurling Hunter
Clifton House
75 Fort Street
PO Box 190 GT
Grand Cayman
Cayman Islands

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

Website

www.reconstructioncapital2.com

RECONSTRUCTION CAPITAL II LIMITED

Interim Unaudited Financial Statements for the period to 30 June 2007

INVESTMENT MANAGER AND ADVISER REPORT

On 30th June 2007, Reconstruction Capital II Limited ("RC2" or the "Company") had a total net asset value excluding minority interest of EUR 93.6 million or EUR 1.4398 per share, a 49.6% year-on-year increase, the combined result of a 596.5% increase in EUR terms of Albalact's share price as well as an overall increase in the market prices of shares held under the Trading Programme (+84.6% above cost at the end of June). On 30th June 2007, 35.3% of RC2's net assets consisted of listed equities, 23.2% was held in private equity positions, 7.1% was held in fixed income securities and the remaining 34.4% was held in cash.

As explained in note 3, the net asset figures and the results presented in the interim financial statements are not fully compliant with IFRS.

The Company operates two investment programmes, a Private Equity Programme which is focused on acquiring and disposing of significant or controlling stakes in companies, and a Trading Programme which focuses on portfolio investments in listed equities and fixed income securities.

Under the Trading Programme, the Investment Manager had invested approximately EUR 18.0 million in listed equities by the end of June 2007, which had a total market value of EUR 33.1 million. Of this, 78.7% was held in Romanian equities while the balance of 21.3% was held in Bulgarian equities. As at 30th June 2007, the increase in value over cost of the equity holdings held under the Trading Programme (+ 84.6%) is significantly better than the overall performance of the Romanian EUR denominated index since RC2 started investing at the end of January 2006 (+37.9%). At the end of June 2007, RC2's listed equities portfolio was divided amongst companies operating in the following industries: financial services (62.6%), building materials (13.2%), engineering (12.7%), industrials (5.4%), utilities (3.5%), oil&gas (1.8%) and others (0.8%).

Under the Private Equity Programme, the Company effected two new private equity investments of EUR 3 million in the first half of 2007: it acquired a 92.3% shareholding in Top Factoring, a Romanian receivables collection business, and a 33.3% shareholding in the Romar Group, a Romanian private medical services business. A 13.4% shareholding in the dairy company Albalact, the first investment made by RC2 under the Private Equity Programme, was valued at EUR 15.8 million at the end of June 2007. In the first half of 2007, RC2 sold a 3.4% stake in Albalact for EUR 3.8 million (279.0% above cost).

The Investment Manager and Investment Adviser intend to start investing in Serbia in the second half of 2007 and are continuing to identify a number of interesting potential investments in Romania and Bulgaria.

New Europe Capital Ltd



New Europe Capital SRL



RECONSTRUCTION CAPITAL II LIMITED

Interim Unaudited Financial Statements for the period to 30 June 2007

INDEPENDENT REVIEW REPORT TO RECONSTRUCTION CAPITAL II LTD

Introduction

We have been instructed by the company to review the financial information for the period ended 30 June 2007 which comprise the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the related notes and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

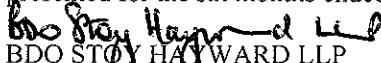
Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

The company has an investment that is designated at fair value through the profit and loss account that is stated on the balance sheet at a cost of €3,000,000. In accordance with IAS 39, this investment should be stated at fair value. As disclosed in note 3, due to the short time scale between the acquisition of the associate and the date of these interim financial statements, the directors were unable to obtain full information on the financial position of the investment at 30 June 2007. Consequently, the investment has not been accounted for at fair value and has been included in the financial statements at cost.

On the basis of our review, with the exception of the matter described in the preceding paragraph, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.


BDO STOY HAYWARD LLP
Chartered Accountants

London

28 September 2007

RECONSTRUCTION CAPITAL II LIMITED

Interim Unaudited Financial Statements for the period to 30 June 2007

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 June 2007

		30-Jun-07 Unaudited EUR	30-Jun-06 Unaudited EUR	31-Dec-06 Audited EUR
	Notes			
Investment income				
Gain/(losses) on investments at fair value through the profit and loss account	4	27,376,303	(869,116)	6,852,945
Interest income		1,045,858	573,099	1,378,959
Dividend income		260,212	-	95,175
Other income		127,138	-	280,162
Total investment income		<u>28,809,511</u>	<u>(296,017)</u>	<u>8,607,241</u>
Expenses				
Operating expenses	5	4,779,448	713,925	1,960,436
Total operating expenses		<u>4,779,448</u>	<u>713,925</u>	<u>1,960,436</u>
Profit/(loss) before tax		24,030,063	(1,009,942)	6,646,805
Income Tax expense		177,969	-	118,214
Profit/(loss) after tax		<u>23,852,094</u>	<u>(1,009,942)</u>	<u>6,528,591</u>
Attributable to:				
- Equity holders of the parent		23,609,302	(1,009,942)	6,106,568
- Minority interest		242,792	-	422,023
		<u>23,852,094</u>	<u>(1,009,942)</u>	<u>6,528,591</u>
 Basic and diluted earnings /(loss) per share	 9	 0.3667	 (0.0321)	 0.2092

The notes on pages 9 to 12 form an integral part of these unaudited interim financial statements

RECONSTRUCTION CAPITAL II LIMITED

Interim Unaudited Financial Statements for the period to 30 June 2007

CONSOLIDATED BALANCE SHEET AS OF 30 June 2007

	Notes	30-Jun-07 Unaudited EUR	30-Jun-06 Unaudited EUR	31-Dec-06 Audited EUR
Assets				
Non-Current Assets				
Property, plant and equipment		53,024	-	3,210
Investment in associate at cost	3	3,000,000		-
Goodwill	7	<u>1,257,153</u>		-
Total non-current assets		4,310,177	-	3,210
Current Assets				
Financial assets at fair value through the profit and loss account	6	55,428,643	11,472,545	29,268,814
Trade and other receivables		1,119,073	113,802	547,498
Cash and cash equivalents		<u>38,121,456</u>	<u>52,425,848</u>	<u>41,404,822</u>
Total current assets		94,669,172	64,012,195	71,221,134
Total Assets		98,979,349	64,012,195	71,224,344
Liabilities				
Current Liabilities				
Trade and other payables		<u>4,593,814</u>	<u>1,411,783</u>	665,790
Total Current Liabilities		4,593,814	1,411,783	665,790
Total Net Assets		94,385,535	62,600,412	70,558,554
Capital and reserves attributable to equity holders				
Share capital		650,394	650,393	650,394
Share premium reserve		63,280,208	62,959,961	63,280,208
Retained earnings		<u>29,715,870</u>	<u>-1,009,942</u>	<u>6,106,568</u>
Total equity and reserves		93,646,472	62,600,412	70,037,170
Minority Interest		739,063	-	521,384
Total Equity		94,385,535	62,600,412	70,558,554

The notes on pages 9 to 12 form an integral part of these unaudited interim financial statements

RECONSTRUCTION CAPITAL II LIMITED

Interim Unaudited Financial Statements for the period to 30 June 2007

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 30 JUNE 2007

	Notes	Share Capital EUR	Share Premium EUR	Retained Earnings EUR	Minority Interest EUR	Total EUR
Balance at beginning of period		-	-	-	-	-
Net loss for the period		-	-	(1,009,942)	-	(1,009,942)
Issue of share capital		650,393	62,959,961	-	-	63,610,354
Balance at 30 June 2006		650,393	62,959,961	(1,009,942)	-	62,600,412
Net profit for the period and total recognised income for the period		-	-	7,116,510	422,023	7,538,533
Issue of Share Capital	1	-	320,247	-	-	320,248
Minority interest arising on acquisition		-	-	-	99,361	99,361
Balance at 31 Dec 2006		650,394	63,280,208	6,106,568	521,384	70,558,554
Net profit for the period and total recognised income for the period		-	-	23,609,302	242,792	23,852,094
Minority interest arising on acquisition		-	-	-	145,915	145,915
Dividends		-	-	-	(171,028)	(171,028)
Balance at 30 June 2007		650,394	63,280,208	29,715,870	739,063	94,385,535

The share premium is stated net of historic share issue cost of EUR 1,382,649.

RECONSTRUCTION CAPITAL II LIMITED

Interim Unaudited Financial Statements for the period to 30 June 2007

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 June 2007

	30-Jun-07 Unaudited EUR	30-Jun-06 Unaudited EUR	31-Dec-06 Audited EUR
Cash flows from operating activities			
Net Profit / (loss) before tax	24,030,063	(1,009,942)	6,646,805
Adjustments for:			
Depreciation	1,542	-	5,307
Gain on financial assets at fair value through profit or loss	(21,441,033)	643,519	(6,036,097)
Gain on foreign exchange	(1,111,256)	-	(726,504)
Interest income	(1,323,755)	-	(1,378,959)
Dividend income	(263,002)	-	(95,175)
Net cash outflow before changes in working capital	(107,441)	(366,423)	(1,584,623)
Increase/ (decrease) in trade and other receivables	1,329,975	(113,802)	(487,695)
Increase in trade and other payables	3,670,459	1,411,783	494,340
Interest received	1,323,755	-	1,378,959
Dividend received	263,002	-	95,175
Purchase of financial assets	(18,456,640)	(12,323,712)	(24,761,107)
Proceeds from sale of financial assets	13,737,844	207,648	1,526,428
Net cash used in operating activities	1,760,954	(11,184,506)	(23,338,523)
Income tax paid	-	-	(60,762)
Cash flows from investing activities			
Purchase of property, plant and equipment	(24,791)	-	(2,345)
Acquisition of associate	(3,000,000)	-	-
Acquisition of subsidiary (net of cash acquired)	(2,960,458)	-	149,346
	(3,113,039)	(11,184,506)	(23,252,284)
Cash flows from financing activities			
Proceeds from shares issued	-	63,610,354	63,930,602
Dividends paid to minority interest	(170,327)	-	-
Net cash lows from financing	(170,327)	63,610,354	63,930,602
Gain on foreign exchange	1,111,256	-	726,504
Increase in cash and cash equivalents	(3,283,366)	52,425,848	41,404,822
Cash at 1 January 2007	41,404,822	-	-
Cash at 30 June 2007	38,121,456	52,425,848	41,404,822

RECONSTRUCTION CAPITAL II LIMITED

Interim Unaudited Financial Statements for the period to 30 June 2007

NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS

1. Establishment

Reconstruction Capital II Limited was incorporated on 17 October 2005 in the Cayman Islands as a closed ended company created to invest in private and listed equity and fixed income securities, including convertible and other mezzanine instruments, primarily in Romania and Bulgaria. The Company was listed on AIM on 23 December 2005 and commenced investing activities on 27 January 2006. These financial statements show the results of the Group for the first six months of 2007.

The Company intends to generate returns for its Shareholders through two primary routes: to achieve medium and long term capital appreciation through the investment in and subsequent disposal of significant or controlling stakes in companies, both listed and private, established and/or operating primarily in Romania and Bulgaria (the Private Equity Programme), and to make portfolio investments in listed equities and fixed income securities, including convertible and other mezzanine instruments, issued primarily by Romanian and Bulgarian entities (the Trading Programme).

The main focus of the Company is investments in Romania and Bulgaria. However, the Company reserves the right to make investments into neighbouring countries, notably Ukraine, Serbia, Montenegro, Moldova, Croatia, Albania and the Former Yugoslav Republic of Macedonia. It is currently anticipated that in the medium term the Company will invest approximately 70 per cent of its assets in Romania and approximately 30 per cent of its assets in Bulgaria and neighbouring countries.

2. Basis of Preparation

The interim results were approved by the directors on 27 September 2007. The interim results have been prepared in accordance with International Financial Reporting standards (IFRS) as adopted for use in the European Union and are not audited but have been subjected to a limited review by the auditors of Reconstruction Capital II Limited. As permitted, the unaudited interim financial statements have not been prepared in accordance with IAS 34 "Interim Financial Reporting".

3. Acquisitions

On 24 May 2007 Reconstruction Capital II (Cyprus) Ltd, a 100% subsidiary of Reconstruction Capital II Ltd, acquired 92.31 % of Top Factoring, a receivables collection company, incorporated in Romania. As such the investment is consolidated in accordance with IFRS3 Business combinations.

On 19 June 2007 Reconstruction Capital II Ltd acquired 33.33% of the Romar Group ("Romar"). Romar is one of the largest providers of private health care services in Romania and is the market leader in the provision of occupational health services. It includes the following five operating entities: Central Medical Romar (operating 12 clinics and two laboratories in Bucharest), Romar Diagnostic Center (operating 2 clinics), Medimar Diagnostic (operating a clinic in Iasi and a laboratory), Romar Clinic (operating a clinic and laboratory in Constanta) and SGL Management & Consulting (which owns and rents out medical equipment to Medimar Diagnostic and Romar Clinic).

Due to the short time scale between the acquisition and the date the interim Financial Statements were prepared the Company was unable to include full information on the financial position of Romar as at 30 June 2007. Consequently, the investment has been included in the Financial Statements at cost instead of at fair value.

RECONSTRUCTION CAPITAL II LIMITED

Interim Unaudited Financial Statements for the period to 30 June 2007

4. Gain on investments at fair value through the profit and loss account

	30-Jun-07 Unaudited EUR	30-Jun-06 Unaudited EUR	31-Dec-06 Audited EUR
Realised investment income	4,181,028	14,719	90,344
Unrealised gain on investments	21,441,033	(870,062)	6,036,097
Realised loss on foreign exchange	-	(2,410)	
Unrealised gain on foreign exchange	1,754,242	(11,363)	726,504
	<u>27,376,303</u>	<u>(869,116)</u>	<u>6,852,945</u>

5. Operating Expenses

	30-Jun-07 Unaudited EUR	30-Jun-06 Unaudited EUR	31-Dec-06 Audited EUR
Investment Management / Advisory fee	760,862	424,811	1,179,403
Performance fee accrual	3,648,019	-	267,716
Administration fees	49,575	32,922	72,637
Custodian fees	56,608	41,537	111,584
Audit fees	19,726	20,712	40,877
Directors' fees	61,643	51,781	123,150
Other fees	183,015	142,162	165,069
	<u>4,779,448</u>	<u>713,925</u>	<u>1,960,436</u>

6. Financial assets

	30-Jun-07 Unaudited EUR	30-Jun-06 Unaudited EUR	31-Dec-06 Audited EUR
Investments at fair value through profit and loss			
Listed equity securities	48,883,671	11,472,545	23,421,490
Listed debt securities	6,544,972	-	5,847,324
Total investments at fair value through profit or loss	<u>55,428,643</u>	<u>11,472,545</u>	<u>29,268,814</u>

	30-Jun-07 Unaudited EUR	30-Jun-06 Unaudited EUR	30-Jun-06 Audited EUR
Cost	27,205,050	12,116,064	23,232,717

RECONSTRUCTION CAPITAL II LIMITED

Interim Unaudited Financial Statements for the period to 30 June 2007

Unrealised gain on investments	28,223,593	(643,519)	6,036,097
Fair value of the investments	55,428,643	11,472,545	29,268,814

7. Acquisition during the period

On 24 May 2007, Reconstruction Capital II (Cyprus) Ltd acquired 92.31% of the voting shares in Top Factoring SRL, for a total cash consideration of EUR 3,000,273. As a result, goodwill of EUR 1,257,153 has arisen. The Company's principal activity is receivables collection.

Details of the provisional fair value of the net assets acquired, purchase consideration and goodwill are as follows:

Provisional fair values at acquisition	EUR
Property, plant and equipment	26,568
Trade and other receivables	1,901,546
Cash and cash equivalents	39,815
Trade and other payables	79,596
	1,888,333
Group share 92.31%	1,743,120
Consideration paid	
Cash	3,000,273
Goodwill	1,257,153

The acquisition of Top Factoring did not contribute materially to the results of the group.

8. Net Asset Value

	30-Jun-07 Unaudited EUR	30-Jun-06 Unaudited EUR	31-Dec-06 Audited EUR
Net Assets (excluding minority interest)	93,646,472	62,600,412	70,037,170
Number of shares at balance sheet dates	65,039,425	65,039,425	65,039,425
Net Asset Value per share	1.4398	0.9625	1.0768

RECONSTRUCTION CAPITAL II LIMITED

Interim Unaudited Financial Statements for the period to 30 June 2007

9. Earnings Per Share

Earnings per share are calculated on the net increase in shareholders' funds of EUR 23,736,361 and using the weighted average number of ordinary shares in issue during the period of 65,039,425.

	30-Jun-07 Unaudited EUR	30-Jun-06 Unaudited EUR	31-Dec-06 Audited EUR
<i>Numerator</i>			
Profit for the period	<u>23,852,094</u>	<u>(1,009,942)</u>	<u>6,106,568</u>
Earnings used in EPS	<u>23,852,094</u>	<u>(1,009,942)</u>	<u>6,106,568</u>
<i>Denominator</i>			
Weighted average number of shares used in basic and diluted EPS	<u>65,039,425</u>	<u>31,455,354</u>	<u>29,195,002</u>
EPS	0.3667	(0.0321)	0.2092