

Reconstruction Capital II Limited ("RC2" or the "Company")

27 September 2012

Interim Unaudited Consolidated Financial Statements

for the six months ended 30 June 2012

Reconstruction Capital II Ltd ("RC2" or the "Company"), a closed-end investment company admitted to trading on the AIM market of the London Stock Exchange, today announces its interim results for the six months ended 30 June 2012.

Financial highlights

- Net asset value, excluding non-controlling interest, as at 30 June 2012 was EUR 77.64m, representing EUR 0.7764 per share, a 4.24% fall since the beginning of the year;
- As at 30 June 2012 the Company's market capitalisation was approximately EUR 56.12m, and 100m shares were in issue with a closing share price of EUR 0.56 per share;
- Loss before taxation for the period ended 30 June 2012 was EUR 3.18m (restated loss of EUR 1.1m for the period ended 30 June 2011);
- The Directors do not recommend the payment of a dividend.

Operational highlights

- In February 2012, RC2 completed the final step of the asset swap with the founding shareholders of East Point Holdings Ltd ("EPH"), thereby increasing its shareholding in EPH from 59.0% to 63.0%. Because the asset swap was substantially accomplished in 2011, the transaction had already been accounted for in RC2's 2011 audited accounts.
- In April 2012, RC2 sold 7.7% of its shareholding in Glasro Holdings Limited ("Glasro") to the CEO of Top Factoring SRL for a total consideration of EUR 5,000. The sale took place in order to replicate the shareholding structure of Top Factoring where RC2 also owns 92.3%. Glasro and Top Factoring operate together as a group.
- In the first half of 2012, RC2 continued to sell down its listed equities held under the Trading Programme, thereby generating EUR €1.3m of cash proceeds. At the end of June 2012, RC2's listed equities held under the Trading Programme had a total market value of EUR 0.5m.

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 above does not constitute the Company's statutory accounts for the period ended 30 June 2012.

The interim report of the Group for the six months ended 30 June 2012 has been posted to shareholders. Extracts of the financial statements appear below and the full version is available on the Company's website - www.reconstructioncapital2.com

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INVESTMENT MANAGER AND INVESTMENT ADVISORS' REPORT

Dear Shareholders,

On 30 June 2012, Reconstruction Capital II Limited ("RC2" or the "Group") had a total unaudited net asset value ("NAV") of EUR 77.64m after deducting non-controlling interests, or EUR 0.7764 per share, which represents a decrease of EUR 3.4m, or 4.24%, since the beginning of the year.

By comparison, as at 30 June 2012, the published NAV per share was EUR 0.8873, with the difference of EUR 0.1109 deriving from the effects of consolidating Mamaia Hotels SRL and Top Factoring SRL ("Top Factoring"). Both investments are booked at fair value when computing RC2's published net asset value per share.

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Yours truly,

New Europe Capital SRL

New Europe Capital DOO

New Europe Capital Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	30-Jun-12	30-Jun-11	31-Dec-11
		As Restated	
	EUR	EUR	EUR
	Unaudited	Unaudited	Audited
Continuing Operations			
Revenue	3,530,592	1,886,594	5,735,892
Gross Profit	3,530,592	1,886,594	5,735,892
Investment (loss) / income			
(Loss) / Gain on investments at fair value through profit or loss	(2,164,847)	467,038	(10,373,504)
Interest income	1,515	18,793	34,290
Dividend income	1,278	30,123	35,354
Other investment income	108,099	135,533	320,320
Total investment (loss) / income	(2,053,955)	651,487	(9,983,540)
Expenses			
Operating expenses	4,276,225	3,121,592	9,617,491
Total expenses	4,276,225	3,121,592	9,617,491
Operating (loss)	(2,799,588)	(583,511)	(13,865,139)
Interest expense	(377,430)	(477,204)	(217,892)
(Loss) before taxation	(3,177,018)	(1,060,715)	(14,083,031)

Income tax expense	(42,550)	(590,826)	326,079
Net (loss) for the period from continuing operations	(3,219,568)	(1,651,541)	(13,756,952)

Discontinued operations

(Loss) for the period on operations acquired with a view to sell	-	-	(2,364,295)
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Net (loss) for the period	(3,219,568)	(1,651,541)	(16,121,247)
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Other comprehensive (loss) / income

Exchange differences on translating foreign operations	(132,543)	878,698	53,420
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Total comprehensive (loss) for the period	(3,352,111)	(772,843)	(16,067,827)
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Net (loss) / profit for the period attributable to:

- Equity holders of the parent	(3,102,823)	(2,084,625)	(15,734,573)
- Non-controlling interest	(116,745)	433,084	(386,674)
	(3,219,568)	(1,651,541)	(16,121,247)

Total comprehensive (loss)/ income attributable to:

- Equity holders of the parent	(3,227,383)	(1,036,602)	(15,737,942)
- Non-controlling interest	(124,728)	263,759	(329,885)
	(3,352,111)	(772,843)	(16,067,827)

Earnings / (Loss) Per Share attributable to the equity shareholders of the Company

From continuing operations	(0.0310)	(0.0208)	(0.1337)
Basic and diluted earnings / (loss) per share			

From continuing and discontinued operations			
Basic and diluted earnings / (loss) per share	(0.0310)	(0.0208)	(0.1573)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2012

	30-Jun-12	30-Jun-11	31-Dec-11
		As Restated	
	EUR	EUR	EUR
	Unaudited	Unaudited	Audited
<u>Assets</u>			
Non-current assets			
Property, plant and equipment	9,178,667	11,738,536	9,494,417
Financial assets at fair value through profit or loss	31,431,278	41,737,826	33,480,715
Goodwill	1,257,153	1,257,153	1,257,153
Total non-current assets	41,867,098	54,733,515	44,232,285
Current assets			
Financial assets at fair value through profit or loss	500,360	3,063,735	1,970,473
Inventories	47,000	121,254	27,000
Trade and other receivables	7,468,773	2,830,196	5,209,555
Cash and cash equivalents	1,822,642	1,030,187	497,325
	9,838,775	7,045,372	7,704,353
Assets of disposal group classified as held for sale	123,801,246	128,725,761	123,801,246
Total assets	175,507,119	190,504,648	175,737,884
<u>Liabilities</u>			
Current liabilities			
Trade and other payables	4,687,809	2,848,724	2,695,704

Loans and borrowings	4,874,284	1,059,452	3,642,240
Corporation tax payable	76,283	44,545	104,625
Total current liabilities	9,638,376	3,952,721	6,442,569
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Liabilities of disposal group classified as held for sale	81,304,970	85,871,323	83,503,970
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Non-current liabilities			
Deferred tax	6,000	(123,023)	27,000
Leases	53,367	-	48,432
Loans and borrowings	3,863,256	1,431,132	1,647,400
Total non-current liabilities	3,922,623	1,308,109	1,722,832
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Total liabilities	94,865,969	91,132,153	91,669,371
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Total net assets	80,641,150	99,372,495	84,068,513
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<u>Capital and reserves attributable to equity holders</u>			
Share capital	1,000,000	1,000,000	1,000,000
Share premium reserve	121,900,310	121,900,310	121,900,310
Retained deficit	(43,496,149)	(26,524,234)	(40,174,182)
Foreign exchange reserve	(1,767,539)	(591,587)	(1,642,979)
Total equity and reserves	77,636,622	95,784,489	81,083,149
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Non-Controlling Interests	3,004,528	3,588,006	2,985,364
Total equity	80,641,150	99,372,495	84,068,513
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 30 JUNE 2012

	Share Capital	Share Premium	Foreign exchange reserve	Retained (Deficit)/ Earnings	Sub-total	Non- controlling Interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 1 January 2011 – as previously reported	1,000,000	121,900,310	(2,876,569)	(26,548,471)	93,475,270	6,844,191	100,319,461
Prior year adjustment	-	-	1,236,959	2,108,862	3,345,821	(3,345,821)	-
Balance at 1 January 2011 – as restated	1,000,000	121,900,310	(1,639,610)	(24,439,609)	96,821,091	3,498,370	100,319,461
 (Loss) / Profit for the period – as restated	-	-	-	(2,084,625)	(2,084,625)	433,084	(1,651,541)
 Other comprehensive income / (loss)							
- as restated	-	-	1,048,023	-	1,048,023	(169,325)	878,698
 Total comprehensive income / (loss) for the period - as restated	-	-	1,048,023	(2,084,625)	(1,036,602)	263,759	(772,843)
Dividends paid to non-controlling interests	-	-	-	-	-	(174,123)	(174,123)
Balance at 30 June 2011 – as restated	1,000,000	121,900,310	(591,587)	(26,524,234)	95,784,489	3,588,006	99,372,495
 (Loss) / Profit for the period	-	-	-	(13,649,948)	(13,649,948)	(819,758)	(14,469,706)
Other comprehensive (loss) / income	-	-	(1,051,392)	-	(1,051,392)	226,114	(825,278)
 Total comprehensive (loss) / income for the year	-	-	(1,051,392)	(13,649,948)	(14,701,340)	(593,644)	(15,294,984)
Dividends paid to non-controlling interests	-	-	-	-	-	(8,998)	(8,998)
Balance at 31 December 2011	1,000,000	121,900,310	(1,642,979)	(40,174,182)	81,083,149	2,985,364	84,068,513
 (Loss) / Profit for the period	-	-	-	(3,102,823)	(3,102,823)	(116,745)	(3,219,568)
Other comprehensive (loss) / income	-	-	(124,560)	-	(124,560)	(7,983)	(132,543)
 Total comprehensive (loss) / income for the	-	-	(124,560)	(3,102,823)	(3,227,383)	(124,728)	(3,352,111)

period

Disposal of interest in subsidiary to non-controlling interests (Note 8)	-	-	-	(219,144)	(219,144)	219,144	-
Dividends paid to non-controlling interests	-	-	-	-	-	(75,252)	(75,252)
Balance at 30 June 2012	1,000,000	121,900,310	(1,767,539)	(43,496,149)	77,636,622	3,004,528	80,641,150

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2012

	30-Jun-12	30-Jun-11	31-Dec-11
		As Restated	
	EUR	EUR	EUR
	Unaudited	Unaudited	Audited
Cash flows from operating activities			
Net profit before tax	(3,177,018)	(1,060,715)	(14,083,031)
<i>Adjustments for:</i>			
Depreciation and amortisation	179,143	164,865	295,636
Impairment / revaluation of fixed assets	-	(191,059)	2,087,000
(Gain)/ loss on financial assets at fair value through profit or loss	2,164,847	(467,038)	10,373,504
Interest income	(1,515)	(18,793)	(34,290)
Dividend income	(1,278)	(30,123)	(35,354)
Net cash outflow before changes in working capital	(835,821)	(1,602,863)	(1,396,535)
(Increase) / decrease in trade and other receivables	(4,202,739)	3,802,987	1,397,761
Increase/ (decrease) in trade and other payables	1,968,699	468,186	458,299
(Increase)/ decrease in inventories	(20,000)	59,747	154,000
Decrease in provision	-	-	-
Interest received	1,515	18,661	34,290
Dividend received	1,278	4,389	35,354
Net proceeds from sale of financial assets	1,349,264	-	815,336
Cash (used in)/ generated by operating activities	(1,737,804)	2,751,107	1,498,505
Income tax paid	(63,550)	(58,227)	(267,921)

Net cash (used in)/ generated by operating activities	(1,801,354)	2,692,880	1,230,584
Cash flows from investing activities			
Sale of property, plant and equipment	-	-	5,911
Purchase of property, plant and equipment	(130,825)	-	(226,776)
Purchase of financial assets	-	(713,862)	(589,500)
Sale of financial assets	-	500,222	211,933
Net Cash flow used in investing activities	(130,825)	(213,640)	(598,432)
Cash flows from financing activities			
Dividends paid to non-controlling interests	(75,252)	(174,123)	(183,121)
Proceeds from loans	3,889,240	688,534	3,613,609
Payments of loans	(696,820)	(2,412,709)	(4,338,783)
Net Cash flow used in financing activities	3,117,168	(1,898,298)	(908,295)
(Decrease)/increase in cash and cash equivalents	1,184,989	580,942	(276,143)
Cash at beginning of period/ year	497,325	812,543	812,543
Effect of foreign exchange rate changes	140,328	(363,298)	(39,075)
Cash at end of period/ year	1,822,642	1,030,187	497,325