

Reconstruction Capital II Limited (the "Company")
Interim Unaudited Financial Statements
for the six months ended 30 June 2018

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 2018.

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 2018, Reconstruction Capital II Limited ("RC2") had a total unaudited net asset value ("NAV") of €35.7m or €0.2463 per share, which represents a 1.61% fall since the beginning of the year.

At a general meeting of shareholders held on 21 February 2018 a decision was made to acquire 22% of the issued share capital of Reconstruction Capital Plc (RC) for €1.6m and 10% of the issued share capital of The Romanian Investment Fund Limited (RIF) for €1.7m. Both funds are Romanian-focused and have as their main underlying asset a 60% shareholding in Policolor SA in which RC2 already owns the balance of 40%. RC2 now has a further 15.36% indirect shareholding as a result of these acquisitions. To date, only part of the acquisition has been settled for €1.1m, the balance of €2.1m being due once the vendors have resolved certain technical issues for settlement.

As at 30 June 2018, RC2 had cash and cash equivalents of approximately €4.6m while its wholly-owned subsidiary RC2 Cyprus Ltd had cash and cash equivalents of €2.3m. As at 30 June 2018, RC2 had sundry liabilities of €2.3m, including the €2.1m due for the settlement of the acquisitions of shares in RC and RIF.

Operational highlights

In May, Policolor signed an amendment to the sales contract with the buyers of its main site in Bucharest, bringing forward the sale of 4.4ha of its remaining 7.6ha from 2019 to 2018. The land being sold in 2018 has been divided into three plots, with the first plot already having been sold in May generating cash proceeds of €1.4m. A second plot of land was sold in July, generating proceeds of €1.5m, and a further 2.2ha is due to be sold in the autumn, generating cash proceeds of €3m. In May, Policolor also signed the contract for the construction of its new Bucharest plant, which is due to be completed in the spring of 2019 and to become operational in the summer of that year.

Operationally, the Policolor Group had a reasonable first half of the year with sales marginally ahead of the same period last year at €33.3m (cf. 2017 €32.9m), whilst EBITDA fell by 10.6% to €1.95m compared to the same period of the previous year.

The fair value of the investments held under the Private Equity Programme increased by €3.4m to €33.6m during the period, primarily due to the acquisition of the shares in RC and RIF detailed above.

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ADVISER'S REPORT
For the six months ended 30 June 2018

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At a general meeting of shareholders held on 21 February 2018 a decision was made to acquire 22% of the issued share capital of Reconstruction Capital Plc (RC) for €1.6m and 10% of the issued share capital of The Romanian Investment Fund Limited (RIF) for €1.7m. Both funds are Romanian-focused and have as their main underlying asset a 60% shareholding in Policolor SA in which RC2 already owns the balance of 40%. RC2 now has a further 15.36% indirect shareholding as a result of these acquisitions. To date, only part of the acquisition has been settled for €1.1m, the balance of €2.1m being due once the vendors have resolved certain technical issues for settlement.

As at 30 June 2018, RC2 had cash and cash equivalents of approximately €4.6m while its wholly-owned subsidiary RC2 Cyprus Ltd had cash and cash equivalents of €2.3m. As at 30 June 2018, RC2 had sundry liabilities of €2.3m, including the €2.1m due for the settlement of the acquisitions of shares in RC and RIF.

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STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	30 June 2018 EUR Unaudited	30 June 2017 EUR Unaudited	31 December 2017 EUR Audited
Revenue			
Fair value loss on financial assets at fair value through profit or loss	(2,077,374)	(4,011,373)	(10,981,533)
Recovery of previously written off receivable	-	-	189,000
Interest income	2,153,054	2,146,080	4,334,820
Dividend income	-	3,500,000	7,619,610
Other income	10	-	-
Total revenue	75,690	1,634,707	1,161,897
Expenses			
Impairment on trade and other receivables	(126,000)	-	-
Operating expenses	(534,322)	(1,096,874)	(1,619,749)
Financial expenses	(721)	(200)	(188)
Total expenses	(661,043)	(1,097,074)	(1,619,937)
Profit for the period/year	(585,353)	537,633	(458,040)
Other comprehensive income	-	-	-
Total comprehensive income for the period/year	(585,353)	537,633	(458,040)
Earnings Per Share attributable to the owners of the Company			
Basic and diluted earnings per share	(0.0040)	0.0037	(0.0031)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	30 June 2018 EUR Unaudited	30 June 2017 EUR Unaudited	31 December 2017 EUR Audited
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	33,568,867	34,804,972	30,143,162
Total non-current assets	33,568,867	34,804,972	30,143,162
Current assets			
Trade and other receivables	18,281	50,564	136,439
Cash and cash equivalents	4,567,668	3,028,792	6,439,763
Total current assets	4,585,949	3,079,356	6,576,202
TOTAL ASSETS	38,154,816	37,884,328	36,719,364
LIABILITIES			
Current liabilities			
Trade and other payables	2,451,315	335,779	430,510
TOTAL LIABILITIES	2,451,315	335,779	430,510
NET ASSETS	35,703,501	37,548,549	36,288,854
EQUITY ATTRIBUTABLE TO OWNERS			
Share capital	1,449,460	1,465,223	1,449,460
Share premium	110,581,355	110,829,614	110,581,355
Retained deficit	(76,327,314)	(74,746,288)	(75,741,961)
TOTAL EQUITY	35,703,501	37,548,549	36,288,854
Net Asset Value per share			
Basic and diluted net asset value per share	0.2463	0.2563	0.2504

STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2018

	Share capital EUR	Share premium EUR	Retained (deficit)/ earnings EUR	Equity component of loan notes EUR	Total EUR
Balance at 1 January 2017	1,476,223	127,991,989	(75,283,921)	-	54,184,291
Profit for the period	-	-	537,633	-	537,633
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	537,633	-	537,633
Issue of B shares	16,997,375	(16,997,375)	-	-	-
Redemption of B shares	(16,997,375)	-	-	-	(16,997,375)
Repurchase and cancellation of own shares	(11,000)	(165,000)	-	-	(176,000)
Transactions with owners	(11,000)	(17,162,375)	-	-	(17,173,375)
Balance at 30 June 2017	1,465,223	110,829,614	(74,746,288)	-	37,548,549
Loss for the period	-	-	(995,673)	-	(995,673)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	(995,673)	-	(995,673)
Repurchase and cancellation of own shares	(15,763)	(248,259)	-	-	(264,022)
Transactions with owners	(15,763)	(248,259)	-	-	(264,022)
Balance at 31 December 2017	1,449,460	110,581,355	(75,741,961)	-	36,288,854
Profit for the period	-	-	(585,353)	-	(585,353)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	(585,353)	-	(585,353)
Balance at 30 June 2018	1,449,460	110,581,355	(76,327,314)	-	35,703,501

CASH FLOW STATEMENT
For the six months ended 30 June 2018

	30 June 2018 EUR Unaudited	30 June 2017 EUR Unaudited	31 December 2017 EUR Audited
Cash flows (used in)/generated from operating activities			
Profit/(loss) before taxation	(585,353)	537,633	(458,040)
<i>Adjustments for:</i>			
Fair value loss on financial assets at fair value through profit or loss	2,077,374	4,011,373	10,981,533
Impairment on trade and other receivables	126,000	-	-
Reversal of loan impairment	-	-	(189,000)
Interest income	(2,153,054)	(2,146,080)	(4,334,820)
Dividend income	-	(3,500,000)	(7,619,610)
Net loss on foreign exchange	721	200	188
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Net cash outflow before changes in working capital	(534,312)	(1,096,874)	(1,619,749)
(Increase)/decrease in trade and other receivables	(7,842)	(32,773)	7,352
(Decrease)/increase in trade and other payables	(83,686)	43,377	138,108
Purchase of financial assets	(1,224,079)	(370,000)	(370,000)
Disposals and repayments of financial assets	-	-	63,000
Dividends received	-	3,500,000	7,500,000
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Net cash (used in)/generated from operating activities	(1,849,919)	2,043,730	5,718,711
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Cash flows used in financing activities			
Payments to purchase own shares	-	(176,000)	(440,022)
Redemptions of B shares	(21,455)	(16,842,979)	(16,842,979)
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Net cash flow used in financing activities	(21,455)	(17,018,979)	(17,283,001)
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Net decrease in cash and cash equivalents before currency adjustment	(1,871,374)	(14,975,249)	(11,564,290)
Effects of exchange rate differences on cash and cash equivalents	(721)	(200)	(188)
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Net decrease in cash and cash equivalents after currency adjustment	(1,872,095)	(14,975,449)	(11,564,478)
Cash and cash equivalents at the beginning of the period/year	6,439,763	18,004,241	18,004,241
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Cash and cash equivalents at the end of the period/year	4,567,668	3,028,792	6,439,763
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