

Reconstruction Capital II Limited (the “Company”)
Interim Unaudited Financial Statements
for the six months ended 30 June 2019

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 2019.

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 2019, Reconstruction Capital II Limited (“RC2”) had a total unaudited net asset value (“NAV”) of €30.3m or €0.2224 per share, which represents a 0.62% fall since the beginning of the year.

During the first half of the year, RC2 acquired 4,075,463 of its Ordinary Shares of nominal value €0.01 for a total consideration of € 0.65m. The shares were subsequently cancelled bringing the total shares in issue to 136,256,913.

As at 30 June 2019, RC2 had cash and cash equivalents of approximately €0.1m while its subsidiary, RC2 (Cyprus) Ltd, had cash and cash equivalents of € 2.21m. As at 30 June 2018, RC2 had sundry liabilities of € 0.11m.

Operational highlights

Policolor generated consolidated operating revenues of € 30.1m in the first half of 2019, down 9.2% year-on-year and 7.6% below budget. After a strong first quarter, Policolor’s coatings sales weakened considerably in the second quarter, in part due to weak demand but also due to the difficulties in continuing to supply its full range of coatings prior to the opening of its new Bucharest factory. Over the first half of 2019, the Group generated recurring EBITDA (net of revenues and expenses allocated to the real estate division) of € 0.8m, significantly below the budgeted EBITDA of € 1.4m, mainly due to the lower coatings sales in the second quarter. Meanwhile, the construction of Policolor’s new Bucharest factory and warehouse has progressed well over the quarter, with construction works having been finalized by the end of July, one month later than originally planned.

Mamaia Resort Hotel’s operating revenues over the first semester were € 0.7m, up 19.7% year-on-year but 4.7% below budget. The Hotel, which is highly seasonal, makes most of its revenues over the months of July and August. The re-decoration of the Hotel’s beach-facing “Junona” wing bedrooms and the renovation of the kitchen, which started at the end of 2018, were finalized just before the 1st May holiday which is also the official start of the Romanian seaside’s summer season. The six-month EBITDA loss of € -0.4m was worse than the budgeted loss of € -0.2m, due to the lower than expected revenues, but also higher salary expenses and the cost of certain renovation related works which were not initially budgeted.

Following the recruitment of a new CEO as part of its strategy to re-direct its business towards B2B lending, whilst continuing with pay day lending to the extent permitted by the more restrictive prudential regulations introduced by the National Bank of Romania, Telecredit started to finance SMEs in February, having granted € 1.2m as factoring services and microloans over the first half of 2019. The lending activity was further helped by the official launch of *Omnirecredit*, Telecredit’s SME financing dedicated online platform at the beginning of June. The book value of Telecredit’s SME-focussed portfolio was €0.7m at the end of June, considerably better than the budgeted figure of € 0.5m. Meanwhile, as expected due to the regulatory restrictions on pay day loans which came into effect at the beginning of 2019, pay day lending activity continued to fall, with the book value of the pay day loan book down from € 0.4m at the end of March to € 0.2m at the end of June. At the end of April, RC2 (Cyprus) Ltd, a wholly-owned subsidiary of RC2, acquired 20% of Telecredit for € 185,000, thereby bringing its shareholding in Telecredit to 100%. At the end of June, in order to support the expansion of Telecredit’s SME loan book, RC2 (Cyprus) Ltd made available to Telecredit a € 1m financing line, none of which was drawn until after the end of June.

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ADVISER'S REPORT
For the six months ended 30 June 2019

On 30 June 2019, Reconstruction Capital II Limited ("RC2") had a total unaudited net asset value ("NAV") of €30.3m or €0.2224 per share, which represents a 0.62% fall since the beginning of the year.

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STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Investment Income			
Fair value loss on financial assets at fair value through profit or loss	(2,162,241)	(2,077,374)	(7,436,971)
Recovery of previously written off receivable	-	-	9,000
Interest income	2,151,033	2,153,054	4,341,794
Other income	255	10	10
Net investment (loss)/gain	(10,953)	75,690	(3,086,167)
Expenses			
Impairment on trade and other receivables	-	(126,000)	-
Operating expenses	(443,456)	(534,322)	(1,031,186)
Financial expenses	-	(721)	(886)
Total expenses	(443,456)	(661,043)	(1,032,072)
Loss for the period/year	(454,409)	(585,353)	(4,118,239)
Other comprehensive income	-	-	-
Total comprehensive income for the period/year attributable to owners	(454,409)	(585,353)	(4,118,239)
Earnings Per Share attributable to the owners of the Company			
Basic and diluted earnings per share	(0.0033)	(0.0040)	(0.0285)

STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	30,293,424	33,568,867	30,614,632
Total non-current assets	30,293,424	33,568,867	30,614,632
Current assets			
Trade and other receivables	14,299	18,281	21,011
Cash and cash equivalents	100,964	4,567,668	1,480,305
Total current assets	115,263	4,585,949	1,501,316
TOTAL ASSETS	30,408,687	38,154,816	32,115,948
LIABILITIES			
Current liabilities			
Trade and other payables	109,949	2,451,315	710,726
TOTAL LIABILITIES	109,949	2,451,315	710,726
NET ASSETS	30,298,738	35,703,501	31,405,222
EQUITY ATTRIBUTABLE TO OWNERS			
Share capital	1,362,569	1,449,460	1,403,324
Share premium	109,250,778	110,581,355	109,862,098
Accumulated deficit	(80,314,609)	(76,327,314)	(79,860,200)
TOTAL EQUITY	30,298,738	35,703,501	31,405,222
Net Asset Value per share			
Basic and diluted net asset value per share	0.2224	0.2463	0.2238

STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2019

	Share capital EUR	Share premium EUR	Retained (deficit)/ earnings EUR	Equity component of loan notes EUR	Total EUR
Balance at 1 January 2018	1,449,460	110,581,355	(75,741,961)	-	36,288,854
Loss 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
Loss for the period	-	-	(3,532,886)	-	(3,532,886)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	(3,532,886)	-	(3,532,886)
Repurchase and cancellation of own shares	(46,136)	(719,257)	-	-	(765,393)
Transactions with owners	(46,136)	(719,257)	-	-	(765,393)
Balance at 31 December 2018	1,403,324	109,862,098	(79,860,200)	-	31,405,222
Loss for the period	-	-	(454,409)	-	(454,409)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	(454,409)	-	(454,409)
Repurchase and cancellation of own shares	(40,755)	(611,320)	-	-	(652,075)
Transactions with owners	(40,755)	(611,320)	-	-	(652,075)
Balance at 30 June 2019	1,362,569	109,250,778	(80,314,609)	-	30,298,738

CASH FLOW STATEMENT
For the six months ended 30 June 2019

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Cash flows from operating activities			
Loss before taxation	(454,409)	(585,353)	(4,118,239)
<i>Adjustments for:</i>			
Fair value loss on financial assets at fair value through profit or loss	2,162,241	2,077,374	7,436,971
Impairment on trade and other receivables	-	126,000	-
Reversal of loan impairment	-	-	(9,000)
Interest income	(2,151,033)	(2,153,054)	(4,341,794)
Net (gain)/loss on foreign exchange	(255)	721	886
Net cash outflow before changes in working capital	(443,456)	(534,312)	(1,031,176)
Decrease/(increase) in trade and other receivables	6,712	(7,842)	115,427
Increase/(decrease) in trade and other payables	14,348	(83,686)	(180,513)
Purchase of financial assets	(133,602)	(1,224,079)	(3,433,045)
Disposals and repayments of financial assets	310,000	-	9,000
Net cash used in operating activities	(245,998)	(1,849,919)	(4,520,307)
Cash flows from financing activities			
Payments to purchase own shares	(1,000,657)	-	(416,810)
Redemptions of B shares	(132,941)	(21,455)	(21,455)
Net cash flow used in financing activities	(1,133,598)	(21,455)	(438,265)
Net decrease in cash and cash equivalents before currency adjustment	(1,379,596)	(1,871,374)	(4,958,572)
Effects of exchange rate differences on cash and cash equivalents	255	(721)	(886)
Net decrease in cash and cash equivalents after currency adjustment	(1,379,341)	(1,872,095)	(4,959,458)
Cash and cash equivalents at the beginning of the period/year	1,480,305	6,439,763	6,439,763
Cash and cash equivalents at the end of the period/year	100,964	4,567,668	1,480,305